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CREDIT

and FINANCIAL MANAGEMENT

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■ AUGUST, 1931 ■

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Vol. 33
No. 8



Calloused hands... will bring back prosperity

Moneyed men sit around conference tables and discuss cures for the ills of depression. Stock manipulators deal with millions, winning and losing fortunes in a day. Prosperity's answer is not in their hands.

It is in the hands of the worker, the wage-earner, who makes up the great population that is America.

When he spends seven dollars where he spent eight dollars before, there is a business depression. When he spends the eight dollars again, prosperity will return.

The nation appreciates his importance more than ever before. "Keep up wages," urges Secretary of Labor Doak.

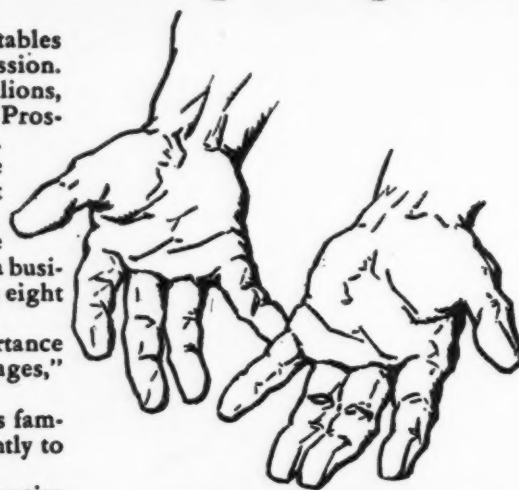
And equally essential to his and his family's financial stability, and consequently to prosperity, is his ability to borrow.

His home knows financial emergencies just as big businesses do. When babies arrive, when sickness visits, when taxes are due, when there are temporary layoffs, he often cannot pay his bills, cannot afford to buy the usual necessities of life.

He, his creditors, and the entire nation would suffer, if he could not get supplementary funds to tide over such times of stress.

Back of his family, and hundreds of thousands of others, stands a great family finance organization, Household. To one of its 138 local offices he may come when he needs to borrow. He is not asked for stocks and bonds as collateral. He is not asked to get co-signers on his note.

On his integrity, on security which almost every family has, and on his ability to pay back the loan in monthly installments, he can get from \$50



to \$300 to pay his bills and keep his family in the market.

The reasonable charge for his loan is regulated by the Small Loan laws of this state and twenty-five others. But he need pay even less than the lawful maximum at the Household offices where the rate has been reduced nearly one-third on loans above \$100.

He will find there, also, advice on expending his wages wisely to keep out of debt.



MONEY MANAGEMENT FOR HOUSEHOLDS, a helpful booklet on budgeting family income, leading to the happiness of financial security, is offered without charge to all. Telephone, call, or write for a copy.



HOUSEHOLD
FINANCE CORPORATION . . .

Headquarters: Palmolive Building, Chicago, Illinois
... (138 Offices in 79 Cities) ...
Consult your telephone directory for the office nearest you ...

Turn the dial to your NBC Station every Tuesday night at 8:00 Central Daylight Saving Time and be a guest of the Household Celebrities, featuring America's foremost stars of the opera, concert, and stage, as well as leading thinkers in affairs of national importance.

In times of stress, anything that strengthens the wage-earner's financial stability, aids business and professional men as well. Thus the family finance company, by enabling the worker to pay his bills promptly and make needed new purchases, is of service to doctor, lawyer, landlord, merchant. The advertisement

Keeping the
wage-earner
in the market
for your
goods

reproduced is part of a campaign aggressively going after prosperity by speeding collections. It is appearing in newspapers of four and three-quarter million circulation. For more information about the personal finance business, you are invited to write to Dept. C6, Household Finance Corp., Palmolive Bldg., Chicago.

1

**THIS ANNOUNCEMENT IS OF PECULIAR SIGNIFICANCE TO THE
CREDITMEN OF THE UNITED STATES AND CANADA AS IT OUT-
LINES BRIEFLY THE NEW SERVICE PLAN OF THE LARGEST MER-
CANTILE AGENCY IN THE WORLD.**

This is a statement of our conception of the requirements of Creditmen for Mercantile Agency Service under existing conditions and a synopsis of the steps which R. G. Dun & Co. has taken, since July 1st, 1931, to meet those requirements.

Any Commodity, Product or Services which yield maximum value must be designed with an understanding of the underlying purpose of the purchase.

There is a dual reason why Credit Service is bought—(1) to supply the basic information which will expedite the flow of Goods or Services from the seller to the buyer, (2) to assist in protecting the seller from loss during this period of contract with the buyer.

In excess of 90% of the Credit Reports purchased from R. G. Dun & Co. are drawn on accounts which (1) are new to the Members, (2) increase the usual amount purchased, (3) are slow pay, (4) show irregularities of any nature, (5) are being regularly revised, (6) or are the subject of rumor.

And 80% of those drawing reports have a continued interest in the account for a period of one year at least.

As the majority of the Members of the R. G. Dun System has a definite financial interest for at least one year in the credit condition of the concerns on which credit information is drawn, if R. G. Dun & Co. is to adequately serve its Clients, every individual in the Dun Organization must assume a direct and personal responsibility to keep every Member, interested in each account, constantly informed regarding the current credit condition of that customer for a period of one year from the date of inquiry, without additional charge.

This New Service will be a very great benefit to Members, for—(1) when the credit condition of an account changes from favorable to unfavorable each Member will immediately receive a new condensed, or an additional report, specifically stating the facts causing the change, (2) when new reports are written showing no change, the information will be sent to Members substantiating and strengthening the position already assumed toward the account, (3) when the facts disclose an improved condition, the new report, issued voluntarily to Clients, will enable their Credit Department to advise the Sales Division, if the account has been limited, to increase the lines, or to open accounts which have previously been declined, if the information, in the judgment of the Creditman, appears to justify that course.

Advices of this nature are a constant stimulus to the Sales Department and furnish concrete evidence to the entire organization of the fact that the Credit Department is in constant touch with every potential buyer, that has come before it, of the Product or Services sold.

But perhaps one of the greatest values to the Credit Department will be that of bringing to the attention of Creditmen information on accounts where the heavy losses almost invariably occur—(1) with those customers known intimately that buy or borrow in volume, (2) the very large accounts from which it is difficult for the small or moderate sized sellers to obtain information.

The Dun Service will be unusually valuable in covering these two groups of customers because of its impartial position in the Credit Field and because of the New Type Analytical Report which is being issued on the larger concerns.

On the smaller names, particular efforts are now being made to obtain the facts peculiar to the individual concern, especially regarding its method of operation.

This will be done with increasing efficiency as the Dun System fully develops its Reporting Staff according to Specialized Trade Groups.

The value of Continuous Service may be judged when it is considered that the number of changes in the Reference Book for the year ending June 30th, 1931, reached the astounding total of 1,498,005 or in excess of 50% of all names listed.

As time goes on and as the full realization of the value of the New Continuous Service Plan permeates the Credit Community, the majority of Members will ultimately file with R. G. Dun & Co. the names of all of the customers on their books, for Creditmen will find that the Dun System will gradually become an integral part of their own Credit Department.

We have voluntarily made this radical change in our method of operation. May we ask that you in turn meet us part way in one respect which is extremely important to us—

Will you from now on look upon us as you would upon a valued member of your own organization who you are convinced is endeavoring in every way to work for your welfare.

And may we ask you to bear in mind that there will be only too many occasions, in the immediate future, when you will be justified in criticising the Reports and the Service during this transition period, which do not hesitate to do. But always know that the standard of Service and the quality of the Reports which we have set as our ultimate goal is one that, we are confident, is in keeping with the requirements of our most exacting members.



A. D. WHITESIDE, President

National Credit Office, Inc.
2 Park Avenue

NEW YORK CITY

R. G. Dun & Co.
290 Broadway



AS FRESH
AS TODAY'S
NEWSPAPER



Established 1899

102 Maiden Lane, New York

Every report released by The Hooper-Holmes Bureau is the result of a brand new series of inquiries. The fact that Sam Smith was a satisfactory Credit Risk a year ago is no guarantee that he is safe today. Conversely, the fact that the John Jones Corporation was in financial difficulties in 1893 or even 1930 does not mean that the company hasn't "pulled out of the woods".

File information has its proper and salutary uses, but file information does not give a complete and down-to-the-minute picture of a credit risk. The reports of this organization take full cognizance of past history and the past paying performance but, in addition, they follow-through to today. No other method can produce

equal results. No other method can draw the complete picture.

For thirty-two years, The Hooper-Holmes Bureau has been engaged in the collection and distribution of information. It has established standardized, fast, thorough Inspection practice. With fifty-seven control offices throughout the United States and Canada, the Bureau is prepared to render fast credit reporting service anywhere, anytime.

The nationwide facilities of the Hooper-Holmes Bureau are devoted to the compiling of Moral Hazard Inspection Reports for insurance underwriting, credit, commercial and employment purposes and claim reports.

THE HOOPER-HOLMES BUREAU, Inc.

When writing to advertisers please mention Credit & Financial Management

CREDIT

and FINANCIAL MANAGEMENT

Looking Ahead

Are Monthly Statements Necessary? Most credit executives think they are. Mr. H. H. Kase, credit and collection manager of the Taylor Instrument Companies, Rochester, New York, thinks they are not. You will find his answer to this question in the September issue.

In the September number, we are presenting the first of a series of articles on Statistical Methods in Credit Management. These articles will give a factual and statistical basis upon which to accurately measure and interpret credit and collection efficiency and progress.

Mr. Heimann, the Association's new executive manager will present in the September issue his first message to the membership of the Association. This will be a document of great significance and importance. Be sure to read it.

Merryle Stanley Rukeyser, noted financial writer, will contribute an article on the subject of Surpluses and Liquidations and How These Affect Business and Credit.

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CHESTER H. McCALL, Editor and Business Manager

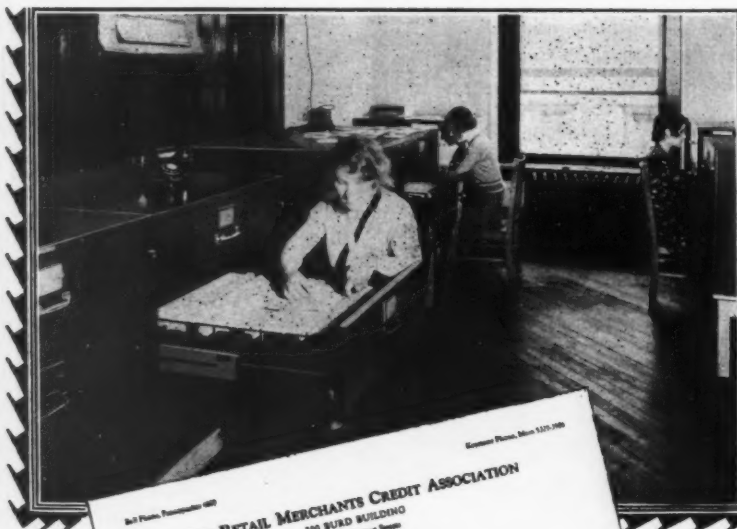
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and
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MANAGEMENT**
August, 1931

Owned and published on the 5th of every month by the National Association of Credit Men, One Park Ave., N. Y., President, Henry H. Heimann, Kawneer Co., Niles, Mich.; Secretary and Treasurer, Stephen I. Miller, One Park Ave., N. Y. Subscription price \$3.00 a year, 25 cents a copy. Canada, \$3.50. All other countries, \$4.00 postpaid. Entered as second-class matter April 5, 1927, at the Post Office at New York, N. Y., U. S. A., under the Act of March 3, 1879. Copyright, 1931, National Association of Credit Men. The N.A.C.M. is responsible only for official Association statements and announcements printed herein. Credit and Financial Management is indexed in the Industrial Arts Index of the H. W. Wilson Co. and is a member of the Audit Bureau of Circulations.

Vol.
XXXIII
No. 8

they wanted *SPEED* and *SAFETY* for their Retail Credit Records



... they got it
so can YOU!

THE Philadelphia Retail Merchants Credit Association faced the problem of rendering fast, efficient service despite a constant increase in volume of inquiries. They realized the constant danger of their operating records being destroyed by fire. They consulted Remington Rand. The satisfying results are clearly stated in the letter illustrated at the left.

Are the credit facts *you* need indexed for speedy reference? Are all your vital operating records protected against fire?

Russell-Soundex is a system which brings together names that are pronounced alike but spelled differently so that they can be found quick as a flash. That's why Philadelphia merchants get their information so promptly and accurately. Russell-Soundex will speed *your* credit authorization machinery—whether in vertical or visible files—as surely and correctly as it has for the Retail Merchants Credit Association.

Even if fire attacks your operating records, they can be preserved. If vertical, protect them in the Safe-File. If visible, protect them in the Safe-Kardex. Consult the nearest Remington Rand man now regarding the ability of Russell-Soundex to speed credit reference and the certified protection that Safe-File and Safe-Kardex render vital credit records. The coupon is for your convenience. Remington Rand, Buffalo, New York.

Best Photo, Remington Rand
THE RETAIL MERCHANTS CREDIT ASSOCIATION
300 BUKO BUILDING
4th and Chestnut Streets
PHILADELPHIA, PA.
Successors to The Retail Merchants Association, Inc.

May 4, 1921.

Mr. T. J. Shryock Jr., Asst. Regional Manager,
Remington Rand Business Service, Inc.,
1015 Chestnut Street,
Philadelphia, Pa.

Dear Sir:

We feel sure you will be interested in knowing of the results accomplished with the Soundex System which you installed for us nine months ago. We believe that without the aid of the Soundex Method of guiding our files, we could not handle the present volume, nor could we maintain our present efficient service.

The following facts, which we feel are almost directly due to the Soundex System, are worth knowing:

Since installation, the total number of cards in our files had more than doubled and we have had over 100% increase in the number of inquiries received daily; in fact, during the "Christmas Rush", we had over 200% increase which we firmly believe could not have been handled without the use of "Soundex". The increase in the number of answers made on inquiries is particularly significant compared from 19.24 before installation to 41.94 at the present time.

In view of the tremendous value of the information contained in our files, we have taken the necessary steps to protect this record from possible destruction by fire by installing eight-drawer Safe-Files manufactured by the Safe Cabinet Division of your Company which brings to this important record, the highest degree of fire protection available.

Before deciding on this equipment, a careful investigation of the various filing systems was made by our Office Committee with the final decision that the Russell Soundex System best met the varied conditions attending a service record, the highest degree of fire protection available.

Very truly yours,
RETAIL MERCHANTS CREDIT ASSOCIATION
President.

33/C.

Remington Rand

I am interested in the application of ☐ Russell-Soundex ☐ the Safe-File or ☐ the Safe Kardex in connection with credit records.

C. F. M.-8

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economic patent-medicines



"PUBLIC Work Plans Rushed by President to Relieve Unemployment"—"New Haven Business Men Ask Tax to Aid Idle"—"Revolt of Idle Threatens U. S., Green Warns"—"Labor Predicts Seven Million Idle by this Winter"—these are some of the headlines appearing in the New York *Herald-Tribune* for Wednesday, August 5.

William Green, President of the American Federation of Labor, in his speech at New Bedford, Massachusetts, August 4, said, "Are we going to make it necessary for workers to raid stores because their children are starving? Can the financiers and wealthy feel secure in their homes when millions are starving?"

Can any of us feel confident of the immediate future of business when the horizon is darkened by unemployment clouds? If there is one basic remedy business can apply to alleviate its ills—that remedy is employment recovery and stabilization.

Five million workers out of jobs is more far-reaching in its effects than the face value of the figure seems to indicate. It is bad enough to have three and one-half million workers who have been gainfully employed decimated from the payrolls of the country. I say three and one-half million because there is an estimated unemployment population of around a million and a half—even in prosperous times. This drain on the nation's purchasing power reservoir constitutes a margin that may well swing the balance from normal to subnormal business.

But this is only half the story. Workers who are employed observe the steadily growing ranks of unemployment and influenced by fear of the future—*will not buy*. With approximately four million people who are able to buy only the barest necessities of life and probably another six or eight million who are afraid to buy anything but the barest necessities, this country has the one basic, major problem that cries loudest for solution.

The government appropriates half a billion dollars for its farm relief program. Why doesn't it appropriate half a billion dollars for a scientific, employ-

ment program? Every idle worker in this country should be recorded and classified as to experience, vocation, education and qualifications. An employment system built upon a basic foundation of accurate information about every idle worker would be invaluable. This would provide a scientific control system of employment statistics. It would tell us how many carpenters, painters, miners, mechanics, mill workers, trainmen, etc., etc. were out of work at any particular time. Labor supply could be more effectively co-ordinated with production demand. A shift in production emphasis could be met by an adaptation of labor to meet the changing industrial conditions. The good that such a nation-wide agency could do would be unlimited.

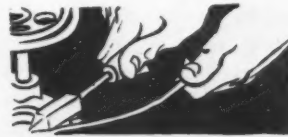
Something must be done about the unemployment situation. Much more than President Hoover's three hundred million dollar public works program is needed. We must face the unemployment situation as the biggest single problem we have to solve. The individual employee, both laborer and white collar worker, is the least common denominator of this country's economic life. We have the habit in this country of starting near the top or near the middle, instead of at the beginning when we set out to improve our economic position. Employment is the first stratum upon which all of our economic structure must be built.

A sound credit structure is almost wholly dependent upon stabilized employment. Slow down employment and you slow down credit turnover. Slow down credit turnover and you slow down the vast, complex mechanism of American business.

I believe that most of the cures offered for our economic sickness are patent medicines. We became fat and pudgy with prosperity. We gained avoirdupois instead of business poise. Our heart action slowed down. We over-exerted ourselves and caused a leakage in our valves—in our valves of employment. Our way back isn't through patent medicines, reducing machines and quack remedies. It's the heart action of employment that's important. The leaking valves must be cured.



Chester H. McCall



SAVE TIME ON COLLECTIONS



...Get **RESULTS** with **POSTAL TELEGRAPH**

POSTAL TELEGRAMS are more than courteous reminders. They get attention...jog slow-paying accounts into action...get replies in the shape of checks...save your time and money.

From where you sit at your desk it's only a matter of minutes to reach out by Postal Telegraph to creditors in 70,000 places in the United States, 8,000 in Canada. And the great International System of which Postal Telegraph is a part will facilitate your collection work in every corner of the world, through its perfectly coordinated telegraph, cable and radio facilities.

So...today...put Postal Telegraph on the job of stirring your creditors to action...NOW!

CERTAINLY...you can send your telegrams by telephone. Just call "Postal Telegraph" or dial your local Postal Telegraph office. In most localities charges will appear on your telephone bill.

Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated record communications under a single management. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables, Central America, South America and the West Indies over All America Cables, and ships at sea via Mackay Radio.

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HENRY H. HEIMANN

Executive Manager, N. A. C. M.

MR. HENRY H. HEIMANN, elected president of the National Association of Credit Men at the Boston Convention in June, 1931 has been selected as executive manager of the National Association of Credit Men to succeed Dr. Stephen I. Miller whose resignation becomes effective September 1, 1931.

Immediately after Dr. Miller presented his resignation to the Board of Directors in Boston, a committee of ten was appointed to select his successor. Mr. William Fraser of New York, president of the Association for the fiscal year 1930-1931, is chairman of the committee. The other nine members are: F. S. Hughes, Boston, Vice-President of the Association; William H. Pouch, New York, Past President; C. R. Burnett, Newark, Past President; I. B. Davies, Delavan, Vice-President

of the Association; W. E. Tarlton, St. Louis, Past National Director; Orville Livingston, Secretary - Manager, St. Louis Association of Credit Men; O. A. Montgomery, Secretary, Detroit Association of Credit Men; E. D. Ross, Portland, Vice-President of the Association and F. B. McComas, Los Angeles, Past President.

Mr. Fraser, commenting upon the selection of Mr. Heimann as executive manager of the Association said: "Mr. Heimann's outstanding services to the National Association of Credit Men and his unusual qualities of vision, leadership and ability made him the unanimous selection of the committee. Nationwide recommendations in support of Mr. Heimann constituted a call that enabled us to draft Mr. Heimann and induce him to accept the position as executive manager of the Association."

Mr. Heimann needs no introduction to members of the National Association of Credit Men and to the business men of the country. His untiring efforts and outstanding contributions as a member of the South Bend Association of Credit Men brought him into the presidency of this organization. He was then a director of the National Association of Credit Men for two years and had just completed two years' service as a vice-president of the Association when he was elected to the presidency at the Boston Convention in June of this year.

A full and well-rounded training in law, accounting, economics and business administration provide the educational background of the Association's new executive manager. After his admittance to the bar, Mr. Heimann spent one year as a public accountant, giving up this work to become auditor of the Kawneer Company, Niles, Michigan. When he accepted the call to become executive manager of the

(Continued on page 36)



the business

straws in the wind

blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks.

AUTO PRODUCTION: June factory sales of automobiles, according to the Department of Commerce, as reported to the Bureau of Census, consisted of 249,462 vehicles, of which 207,798 were passenger cars, 41,304 were trucks, and 360 taxicabs, as compared with 315,115 vehicles in May 1931, 334,506 in June 1930 and 545,932 in June 1929.

BANK CLEARINGS: For the week ending July 25, Bradstreet reports found clearings continuing downward with a drop of 8.3 per cent. from the previous week and 23.1 per cent. from the same week a year ago. New York city showed a drop of 10.2 per cent. while outside of New York, cities recorded a decrease of 5 per cent. The July 25 total was the smallest for any full week this year. Considering monthly totals, the same trend was evidenced with June 1931 revealing a drop of 20.8 from the levels of June 1930.

BUILDING CONSTRUCTION: For the first time in over ten years the monthly value of building permits in 215 cities has dropped below \$90,000,000. according to a survey by Bradstreet's. The figures for June, recently reported, show the value of permits issued in 215 cities to have been somewhat over \$89,000,000. which represents a decline of 27.4 per cent. from the May figures and 40.5 from the June 1930 totals.

BUSINESS FAILURES: Dun reports for the week ending July 23 note 469 business failures for that week, 41 more than the week before and 41 less than the same week in 1930.

COMMODITY PRICES: Based on 1926 prices as equal to the base 100, the index number of wholesale commodity prices for June, according to the Bureau of Labor Statistics' reports rested at 70, which was somewhat lower than the average of 71.3 in May. The purchasing power of the 1926 dollar rose to 1.44 on July 25 from the June average of \$1.43 and \$1.40 in May, which represents a continuation of a long series of gradual advances over a period of many months. Professor Irving Fisher's average commodity prices for the week ending July 25 declined 0.3 per cent. to 69.5 per cent. of the 1926 level.

FREIGHT LOADINGS: Revenue freight car loadings for the week ending July 11 were 763,581, a drop of 152,404 from the level of the same week last year and 302,833 below the total of the corresponding week in 1929.

STEEL PRODUCTION: Having reached levels about as low as it is reasonably possible to reach without closing altogether, the steel industry managed to hold its own somewhat in July and production rested at 31 per cent. of capacity for the two weeks ending July 25, according to the Wall Street Journal. A year ago the average for the same period was between 55 and 60 per cent. of capacity.

STOCK MARKET: The ever-hopeful investors, with the encouragement of the Hoover Moratorium announcement, sent the investment situation into a new climb late in June but the premature optimism was soon broken down and the market is again tail-spinning with levels at the end of July practically equal to the new low marks set in May.

FOLLOWING in rather true accord with the age-old and ageless theory of physics that "to every action there is an equal and contrary reaction", the optimistic business situation of late June drooped during July almost as rapidly as it had boomed previously. At the end of July the stimulus engendered by the Hoover Moratorium plans was well-nigh invisible, relegated to the limbo along with last winter's Buy Now campaign and other glorious failures to revive Old Man Business and cast out the devils of depression.

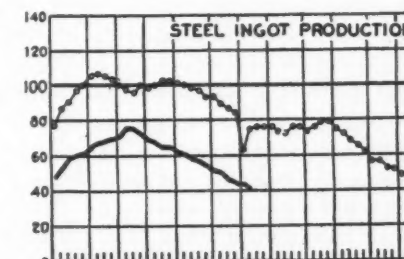
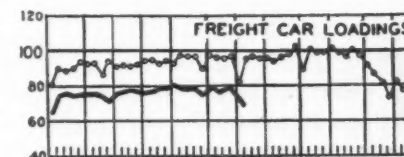
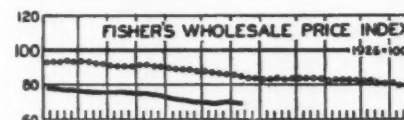
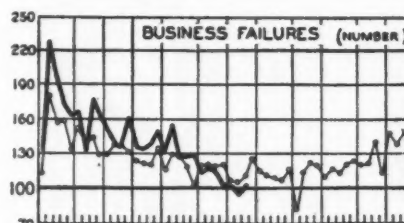
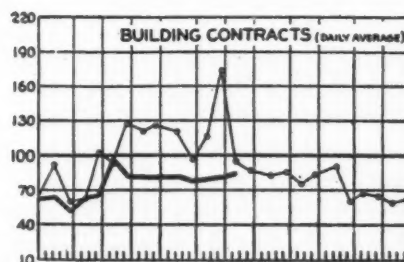
One thing was evidenced by the sudden hopes inspired by the plan. Business is at a level that may be viewed as the ultimate bottom, for it has been bouncing along at the same low levels for six months now with little in the way of further serious declines and, likewise, practically nothing in the way of a turn for the better. Just what will cause the turn is a veiled matter. Possibly some factor will point the way long before we are aware of it, even as building construction charted the decline in 1929 before the general avalanche began. The decline in building construction was noted at the time but not credited with being the signpost it later was revealed to be. And so it can possibly be with some factor soon, if not right now. It is not at all necessary to feel that building construction will show the first definite upward trend because it blazed the trail into the valley. Continued liquidation has brought the possibility of recovery from the depression to a greater likelihood and as the weeks roll by, this likelihood improves.

The July *Thermometer* reported the views of the equilibrium theorists anent the world's economic ills. Much is being written and spoken on the topic; occasionally something significant is uttered. The best, both by comparison and by degree, in recent analyses is made by Sir Basil Blackett, Director of the Bank of England, in an interview in "Barron's". Mr. Blackett, it is a relief to note, blames economics, not politics, saying that "the difficulties with which we are faced today are very largely on the economic side, due, not merely to monetary causes but also to some failure

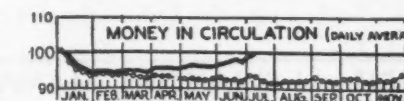
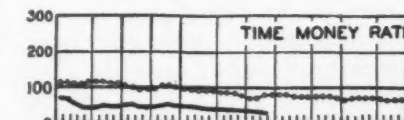
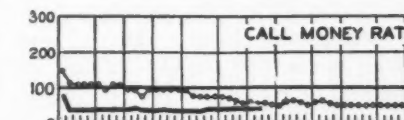
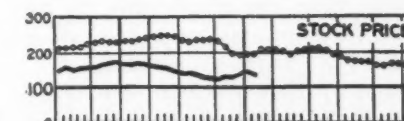
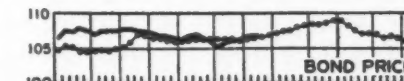
thermometer



BUSINESS INDICES



FINANCIAL INDICES



to relate production to consumption, some failure to plan and think ahead to ensure that what is being produced at any given moment is what is really required by mankind for consumption.

"It is very difficult for those who are thinking of dealing with a situation at any given moment to avoid thinking compartmentally. I am not sure that we do not need a new political and economic technique to deal with the situation. With our English love of liberty we are determined we will not make sacrifices of our personal and political liberty such as we believe are involved in Fascism and Bolshevism, yet I am not sure we should not be wise to take a leaf out of the books of both Italy and Russia in the matter of organized thinking and planning ahead.

"In our complex economic and social system of today, if the machine which man has created is to remain his servant and not wreck itself and its creator—a danger which is so threatening that pessimists declare that man is not clever enough to manage the machine he has created—we can find salvation only in cooperative self-help and orderly discipline under planned direction, in place of laissez-faire and reliance on the unordered competition of enlightened self-interest and individual enterprise.

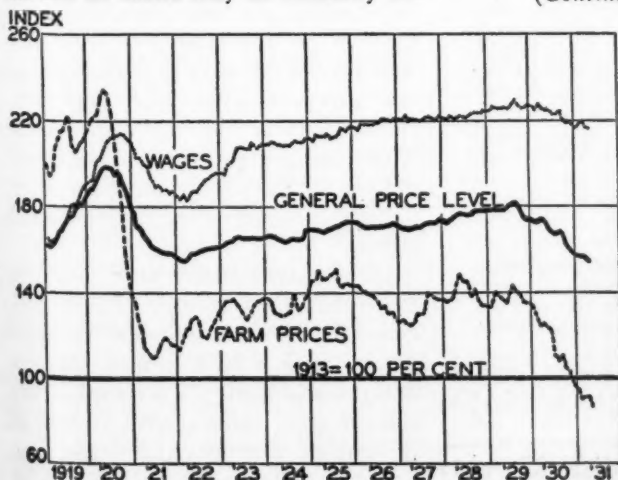
"The nineteenth century was the century of competition. Political and economic planning on a co-operative basis is the task of the twentieth century. If I do not go all the way with the monetary school in holding that the remedies for our present economic ills can be found only in monetary ac-

tion, it is not that I doubt the absolute necessity of a carefully-planned monetary policy leading to wise monetary action. It is because I cannot agree with the word 'only.' Part of our trouble is due to failure to control production in relation to demand, and to exclusive reliance on monetary means for controlling production.

"It is impossible to isolate the monetary field from the rest of the field of vision when we are surveying modern activities and planning progress. By all means let us put our monetary machine in order. It is well worth doing and we shall reap the reward, but on one condition, viz., that, we deal with other defects in our social and economic life simultaneously. We must at all costs keep a firm grasp of what Hegel called the 'altogetherness of everything.' Most of our troubles today have their origin in our unwillingness or our inability to deal with our problems except piecemeal.

"Why is it that we have doubled the number of the mentally deficient in the past 20 years? Not because we have been wrong in our humanitarian efforts to soften their sufferings, but because we have approached the problem piecemeal. Our well-meant partial efforts have merely aggravated the fundamental evils. Which thing is a parable. In the economic sphere, exactly similar results have sprung from well-intentioned but piecemeal efforts to deal with our problems. We have rightly ceased to be content to let our economic difficulties solve themselves by painful economic adjustments, bankruptcy, starva-

(Continued on page 36)



(left) movements of various types of prices (Federal Reserve Bank of New York composite index of wages and index of general price level; Department of Agriculture index of farm prices at the farm—1913=100 per cent)

with the exception of Fisher's Index, U. S. Department of Commerce charts (right) are based on 1923-1925 average = 100

industrial mobilization



what business can learn from the War Department's far reaching developments in industrial mobilization
by Honorable FREDERICK H. PAYNE
the Assistant Secretary of War

THE world learned during 1914-1918 that when modern nations resort to armed conflict, success depends as directly upon ability to meet its *material* requirements as upon the skill with which fighting units are employed against the enemy. War has become a struggle between whole peoples—it is no longer a semi-sporting contest between professional armies. The preparation of programs for use in emergency consequently involves the devising of methods for combining and employing every national resource in such manner as to exert promptly the maximum force against any possible aggressor. These programs are intended to provide for both the human and material requirements of war—but it is mainly those concerned with the material requirements that can be classed as plans for "industrial mobilization."

Prior to the World War, few, if any, of our officials had an accurate conception of the immediate munition needs of the fighting forces. To an even greater extent they lacked definite information of the capacity of individual plants to produce these items. Contracts for some articles were placed far in excess of requirements, while other essential items were initially neglected. Some manufacturing plants were swamped with war orders, while others were given none. Traffic congestion became the rule

rather than the exception. Government purchasing agents competed among themselves for the output of industrial establishments. As a consequence, prices rose rapidly to higher levels, and the making of large profits by some concerns was unavoidable. Finally, the utter lack of systematic governmental control over the industrial facilities of the country resulted in serious delays in the production program, and inefficient use of resources. Drastic reorganization became necessary, and toward the end of the war our industrial activity was being more and more efficiently coordinated with our national needs. Consumers, as well as producers, were being increasingly affected by the government's industrial programs. Mr. Baruch, Chairman of the 1918 War Industries Board, says:

"Had the war gone on another year our whole civil population would have gradually emerged (as wardrobes and inventories became exhausted) in cheap but serviceable uniform. Types of shoes were to be reduced to two or three. The manufacture of pleasure automobiles was to cease. Flaps from pockets and unnecessary trim in clothing would have disappeared. Steel had already been taken out of women's corsets.

"The conservation program was of course much broader than this. It affected practically the whole field of commodities. . . . We had gasless, meatless, sugarless, fuelless days and in ways and methods too numerous to mention, we were greatly increasing the supply for essential uses by cutting off supply for non-essentials."

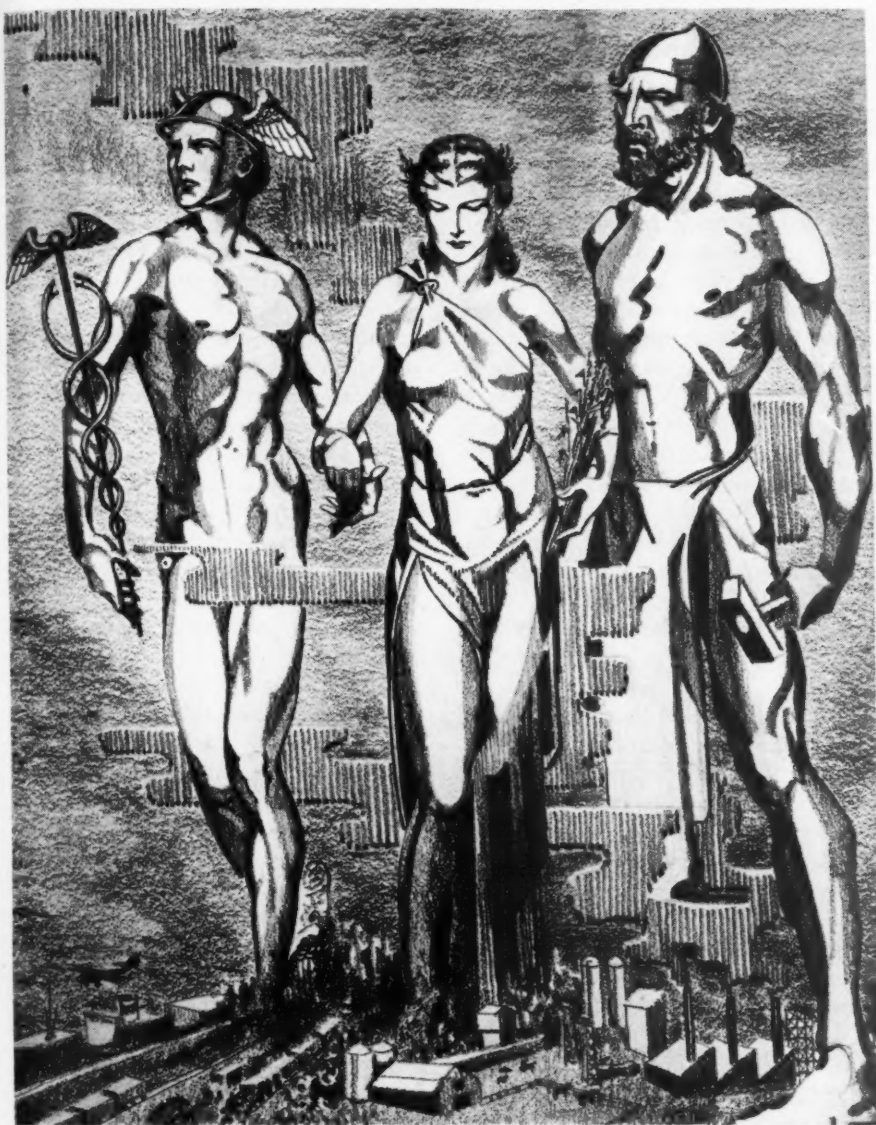
With the World War lessons fresh in mind, the Congress, in 1920, specifically

charged the Assistant Secretary of War with responsibility for the "supervision of procurement of all military supplies" and for the "assurance of adequate provisions for the mobilization of material and industrial organization essential to war-time needs."

There are two distinct, yet rather closely related, planning tasks assigned by this directive. The first is to make arrangements for the procurement of necessary Army munitions—the second is to develop a program for directing and controlling our whole industrial effort in war.

Before proceeding further I wish to state that in peace or war no control over industrial establishments will be exercised by the Assistant Secretary of War or by anyone else within the War Department. This task is one of the war-time functions of the President, and would be performed by him through an appropriate civilian body. The duty of my office in peace is to seek out pertinent data—point out practicable methods and organization under which success may be attained—and prepare for the prompt initiation of applicable measures when the emergency arrives.

In the accomplishment of the first task—that is, the planning for the procurement of army supplies, obviously the first step is to determine what the Army would need. To accomplish this, military staffs make careful analyses of all strategic situations that might confront us. They estimate the rate at



The gods of peace aligned against the god of war.

which our combat units would enter the assumed theaters of operations, and compute the amounts of munitions that would be necessary. Under the most serious situations that might arise, Army purchasing agents would make contracts during the first few months involving some ten billion dollars in supplies. The difficulties to be encountered are apparent, particularly when we recall that these things must be produced with the utmost speed.

The gist of the plan adopted by my office for the procurement of army munitions is simply this: In time of peace we allot to suitable industrial establishments the task of initiating promptly upon the outbreak of war the production of specified amounts of essential items. Eventually, the aggregate of these allotments will comprise the full list of army requirements for the initial stages of a major war.

To provide for the desired distribution of this production task the country has

been divided into fourteen districts. Based on information obtained through detailed industrial surveys, the initial war load is apportioned to districts in accordance with their respective capacities to absorb it. War Department representatives in the districts make sub-allotments to suitable industrial plants. Ordinarily no plant is given a task involving more than 50 per cent. of its normal output. This permits each industrial facility to maintain on a reduced basis its commercial activities, and minimizes industrial disturbance upon the outbreak of war. The unused capacity of these plants, together with that of the thousands unsuited for munitions production, would furnish essentials to the civilian population. All plants needed by the Navy to meet its requirements in war are, by prior agreement, excluded from the list of those with which the Army representatives deal.

With the aid of public spirited indus-

trialists and other civilians, gratifying progress has been made in this program. It is not completed, and of course is subject to constant revision because of continuous changes in the industrial situation. Nevertheless, if we should face a grave emergency tomorrow, it is certain that we would be in a much better position in this respect than ever before in our history.

Under the procurement plan I have outlined, military items would be contracted for only in the amounts deemed necessary, and wasteful use of productive capacity would thus be avoided. The production load would be spread over the entire country and overloading of particular sections would not occur. Necessity for new construction and labor migrations would be minimized. There would be no competitive bidding between purchasing agents because each has been allotted specific plants with which to deal, and thus one great cause for mounting prices would be eliminated. Finally, since each plant to which has been allotted war work is warned in time of peace of the exact task it would be expected to perform, production of essential munitions could begin with the least possible delay.

As I have indicated before, exact arrangement for purchase of finished items is not a complete answer to the nation's industrial problem in war. We must assure to each essential facility an adequate supply of raw materials, labor, money, power, and transportation; and must provide for the equitable distribution of war's burdens and sacrifices. In considering these questions we take up the second major planning task—namely, that of making preparations to assist a war-time President in directing the national industrial effort into proper channels to meet the country's needs.

The investigations necessary in the development of plans of this description are almost unlimited in diversity and in detail. For example, we know that in any war where our sea communications would be interrupted, shortages would soon develop in certain essential raw materials. Plans to meet the situation thus created must be carefully coordinated with each other. To illustrate—we import the greater portion of the wool we use. As a consequence, it would seem advisable in event of war to cease slaughtering sheep for consumption, and concentrate on producing wool. But surgeons' sutures, a most important item, are made from the entrails of sheep. We are faced, therefore, with the necessity for making the greatest possible use of substitutes in both these items. If cut



Colonel Frederick H. Payne, the Assistant Secretary of War, is in charge of the War Department's most important activity—Industrial Mobilization. Colonel Payne is a former bank president, was partner in an investment banking house, and Chairman of the Board of a large New England manufacturing concern. He saw service during the war as an ordinance and procurement officer.

Colonel Payne is an admirable example of an eminently successful business and banking executive who has made heavy personal sacrifices to serve his government. The Editor is certain that if our government had more "Colonel Paynes", it would receive far less criticism from business men. Colonel Payne is an advocate of "more business in government".

off from overseas trade, rubber, tin, and manganese would probably offer the most difficult problems of all raw materials because of the locations of the sources of supply and of the amounts we consume. Alternative sources of supply are carefully sought out—and scientific developments that promise to furnish satisfactory substitutes are closely watched. Statistics are gathered as to the size of the stocks ordinarily kept on hand in the United States, and estimates are made of the length of time such stocks would meet our requirements in war. We also accumulate data as to the normal uses of each material

and arrange this list of uses in the order of priority that should be observed in war, pointing out those that should be curtailed first.

It is especially important to note that we are proceeding on the theory that the government will not take actual possession of any productive establishment in the United States except where special conditions make this necessary. Industrial activities must continue to operate under the management of trained personnel. To relieve these men of the direct responsibility for the operation of their plants in war would be a blunder of the most serious kind. The government must control our industrial effort—but to seize and operate individual plants would entail such a gigantic administrative task that failure and chaos would be likely to result.

Among the problems that will confront the government in war are those of the regulation of prices, and the fair distribution of war's economic burdens.

That the country is alive to the importance of these problems is proved by the fact that about a year ago Congress created the War Policies Commission to study and consider methods for eliminating the profits from war and for distributing its burdens equitably. That body is composed of Cabinet officers, Senators, and Congressmen, and in open hearings of this spring and summer has accumulated a mass of fact and opinion that is now being digested.

One of the most noticeable features connected with the hearings is the variety of opinion prevailing among those who have studied these matters.

Bernard M. Baruch has made a most able presentation of a plan for "freezing" prices in an emergency. Howard E. Coffin insisted that exact prearrangements for all governmental purchases would be the most potent factor in preventing profiteering. Others advocate an actual conscription of all property—while still others propose a systematic evaluation of individual and corporate assets and a strict limitation of earnings to be made by capital during a war. All agreed, however, that peace-time thought, study, and plans are necessary.

All agreed further that there must be set up in an emergency a civilian body to assist the President in exercising the necessary control with respect to industry. We must determine, therefore, just where such a body would fit properly into a war organization. The experience of the World War, and the

nature of the problems to be solved, both indicate the necessity for setting up an emergency section of the Federal Government through which the President may exercise his war-time responsibilities with respect to our industrial resources.

This part of the governmental organization must be truly representative of our national life. It should be composed of eminent financiers, agriculturalists, manufacturers, professional men, representatives of labor, of transportation systems, and others. They will be the President's advisers on industrial questions, and his executive body for the formulation and execution of policies. The authority of this board will rest upon legislative action by Congress, upon the war-time power accorded the President by the Constitution, but principally and primarily, upon *public opinion*.

In my office we are developing specific plans to assist the President to organize promptly the central industrial body in an emergency. The proposed organization is roughly patterned on the War Industries Board of 1918. Organizational plans are purposely kept very flexible in order that the war-time President will not be hampered in developing such detailed administrative machinery as he may desire to employ. All the statistics accumulated and the studies and plans prepared by my office in peace will be turned over to the industrial organization upon the beginning of an emergency to enable it to begin functioning promptly.

Largely through the various trade associations this central organization will keep in close contact with conditions throughout the country. Generally speaking, the executive councils of these associations will form the connecting links between their respective industries and the central government.

This was the method that was being developed with so much success toward the end of the World War. In any future conflict we would expect these so-called War Service Committees to operate from the beginning. Each committee would exercise the authority with respect to its association members accorded it by its own particular group. They would not be a part of the government—but each would operate exactly as it does in peace—but with greatly increased authority, due to the emergency facing the whole country,

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on the up and up

Has the bottom been reached? Is business really on the road to recovery — on the up and up? Is recovery just ahead — or is the upturn a long way ahead?

Business psychology is changing. A few months ago, the prevalent psychology was, "How long will it take us to reach the bottom?" The attitude has now changed to, "How long is it going to take business to get back?" Every business act and all business judgment must be based upon the current business situation and the prospects for the immediate future. It is our belief that a presentation of the viewpoints of national leaders and thinkers is the most important contribution we can make to the readers of this magazine at this time. In the following pages you will find a series of analytical articles on present and future business conditions.





THERE comes a time in every depression when pessimism goes beyond the limits of warrantable anxiety over conditions and becomes morbidly psychopathic. And just such a period seems to have been reached in our present experience. It is quite natural and understandable for business at one time or another to take to its wailing wall as a temporary refuge and solace, but that is emphatically not the place for establishing a permanent abode.

By that I do not for one moment infer that all is well with the business world, or that its recent past has offered no ground for concern. Most decidedly it has. But the lamentations to which I do take exception are those based on the assumption that there is absolutely no prospect of improvement for many months ahead, that the recent lows in the stock market presage an indefinitely prolonged depression. With every sincere appreciation of the distress of those to whom even temporary declines in security quotations mean grave losses—and there are regrettably many such—there still is no ground whatsoever for the assumption that the many abnormalities in such quotations today are any more nearly accurate as indicators of the real earning power of our industries than they were in the lurid frenzy of 1929, when inflamed avarice or wild adventure or whatever emotion it may have been so sadly distorted the sober judgment of millions.

The admitted impairment of our national buying power through large-scale unemployment cannot be refuted. But on the other hand, we are apt to overlook the vital fact that we also have in the thirty-five millions or more whose income has not been curtailed, the largest massed buying power of any nation, in fact of any two nations, anywhere in the world. Obviously the chief determinant of the speed of our recovery is the stimulation of greater activity on the part of that truly impressive buying strength of our people. The crux of the situation really is the awakening and maintenance of con-

sumer morale. The moment these thirty-five millions resume even normal buying activity—and they already have the resources to do so—we shall have a prompt solution of the difficulties of the remaining crippled portion of our national market. Every possible effort should therefore be concentrated upon the protection of that consumer morale.

A single definitive episode, such, for example, as the President's courageous, far-sighted move in connection with the European debt situation, may well be the determining contribution in starting the momentum of consumer confidence as to the general outlook.

According to five major non-official statistical services of accepted reliability, the downward trend of the depression ended in December or January, the majority favoring the latter month. Since then we have been bumping along the rocky bottom of the "valley"—not a very pleasant performance, it is true, but an inevitable feature of all such dips in the business cycle before the upward trend begins. In estimating the breadth of that "valley", attention has been called by some statisticians to the fact that in the last three major depressions the width of this more or less level bottom averaged about seven months and therefore the upward climb to approximately normal business required an average of about fourteen months.

Before drawing any definite conclusions as to the probability of approximating those averages in our recovery from the present depression, it would be well to bear in mind certain sharp distinctions between the 1930-31 slump and these preceding ones of 1893, 1907, and 1920-21. In each of the earlier ones the downward swoop of business was marked by an extraordinary severity and abruptness of deflation; the greater part of the descent in each case was a veritable precipice of five or six months. In this instance, on the other hand, the descent was a more gradual one occupying some nineteen months.

Having carefully in mind the tragic casualties of one business seer and economic prophet after another during these recent months, I shall certainly not venture even a timid extemporaneous guess as to when the upward swoop of the cycle will begin. But one thing is clearly evident from what has already transpired as indicated in the figures just given. The descent into the present dark chasm was far more orderly, more controlled, than in any of the preceding cases. Deflation after

such boom excesses is always painful, but it is far less disastrous if accomplished by the orderly operation of an exhaust valve rather than by the severity of an explosion. In each of the last preceding crises the abruptness of the deflationary process brought on a sudden, catastrophic collapse which wrought financial and industrial havoc of a sort entirely unknown on this occasion.

While there are advantages in "having the misery over with", the ruin that came in the wake of every one of the earlier crises—violent industrial disorders, widespread financial chaos—has unmistakably been avoided this time because of the "brakes" on the business machine. In 1921 we had an average of nearly 200 strikes a month whereas thus far in the present depression the monthly average has been only about 50 and none of them marked by that



violence, property destruction, and bloodshed which darkened the record in earlier crises, notably that of 1893-94.

These "brakes", incidentally, are still operative and ought to contribute materially to an orderly recovery this

facts: the chief factor

"recovery will begin when we base action on analysis"

every single establishment that weathered this storm successfully—and there have been many—has been conspicuous for the excellence of its information on costs



by Dr. JULIUS KLEIN
Assistant Secretary of Commerce



time in far more satisfactory fashion than in the previous depressions where no such facilities were available. They include, of course, the Federal Reserve System, the vastly improved statistical services, both private and official, a greatly expanded trade press backed by far more competent business reporting in the daily press, and much more effective organization of industry and trade through thousands of active, well-directed trade associations and chambers of commerce of which there were but a few score in the prewar depressions.

As one important consequence of this gradual "controlled" deflation in 1930-31, we find a factor bearing vitally upon the recuperative capacities of business, namely the maintenance of capital reserves in far better shape than after any such catastrophe in previous years. The three major forms of savings, namely life insurance in force, building and loan assets, and savings

accounts, showed a total at the beginning of this year exceeding 145 billion dollars, as against approximately 60 billions ten years ago. This represented an increase of roughly 140 per cent or more than eight times the rate of growth of our population during the intervening years, which increased in that time by nearly 16 per cent. Indeed the depression year itself, 1930, actually showed an increase in the case of each of these items over the totals for 1929. Here we have a solid bulwark of buying power, the like of which was not available at the close of any previous depression in our history.

Still another element of inestimable value as a factor in accelerating recovery is the great improvement in what might be called the technique of credit management in all phases of American business. The equipment of American industry and trade on that important phase has been notably ad-

vanced within the past decade. We have greatly expanded our interchanges of ledger experience. The team work of our credit agencies and the superiority of our credit control in general have not only been of immense value in modifying the distress of the depression, but they will likewise contribute notably to the acceleration of recovery.

In the last analysis the best recovery "remedies" will not be in the form of visionary panaceas or extravagant doses of stimulants. Convalescence will end as the business patient displays the revival of those simpler virtues of basing decisions upon calm factual analysis rather than the delirium of sudden stock-market gyrations in either direction. Recovery will begin as we get away from vague surmises as to such unpleasant subjects as cost of operations, and resort to the application of most rigidly exacting accounting methods. Every single establishment that weathered this storm successfully—and there have been many—has been conspicuous for the excellence of its information on costs, especially in the field of distribution. Bankruptcy studies by the Department of Commerce and other agencies have shown again and again that at least four out of every five bankrupts, especially in the retail field, were suffering from ineffi-

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FOR a long time we have been accustomed to the complaint that "There is too much politics in business," and "Not enough business in politics." Yet those who undertake to discuss this phase of the connection between politics and business fail to remember that the exigencies of "business" played a vital and important part in the shaping of our national institutions.

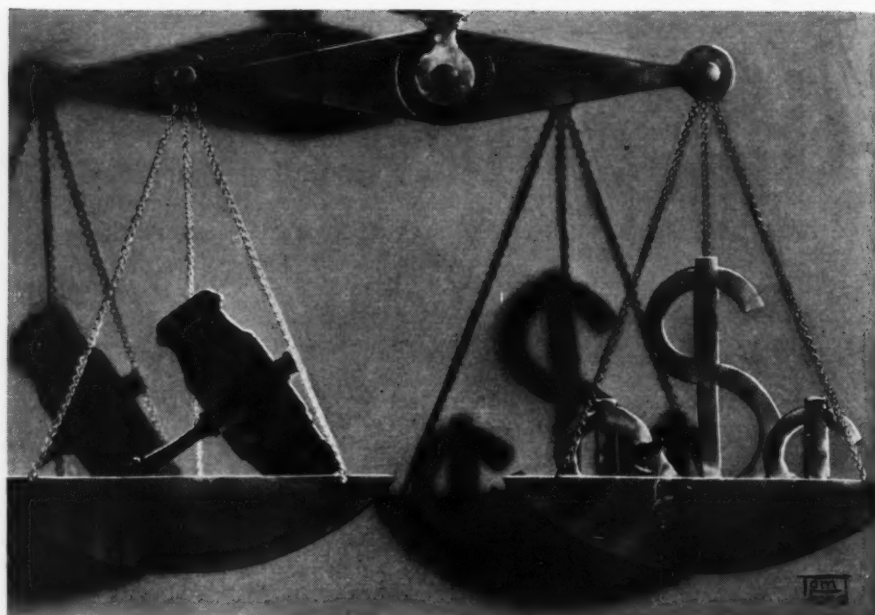
Had it not been for a dispute between Maryland and Virginia over the "business" of navigating the Potomac River, and other disputes between other colonies as to the extent to which "business" should be restricted and controlled, there might never have been a constitution of the United States. While the desire for political liberty was the moving cause for the long fight for national independence, there can be no question but that economic restraints and the desire to escape them played a large part in focussing their attention on political independence which was essential to economic freedom.

From that day to this the relationship of government and business, the connection between business and politics, which in its essence is the science of government, has been an inseparable co-partnership, and will and must continue to be so as both business and government increase in volume, activity and complexity.

In the early history of the nation there was little occasion for the exercise of the powers inherent in the government with reference to the regulation or control of commerce or the economic factors affecting it.

Each community was a more or less complete unit within itself. Their needs were simple, their habits frugal, their range of operations narrow, and whatever governmental interference or supervision was necessary was exercised by local authority.

But the founders of the nation, the



framers of the constitution were prophetic enough to see the coming of a day when the expansion of trade, the search for markets, and the methods by which they were to be secured and held, would transcend all local and provincial boundaries or barriers, and that as national unity would grow in commerce it would have to grow in the exercise of authority. So they wrote into the constitution the so-called commerce clause giving the national Congress the power to regulate commerce among the states and with foreign nations.

Under that authority supervision and control have proceeded probably much farther than was contemplated by those who wrote it, because commerce itself and the means and methods by which it has been advanced over a period of 150 years have proceeded infinitely beyond the dreams of the great minds which conceived and dedicated this nation to the service of the people.

It is under that power that the government regulates the transportation systems of the country and the commodities which they transport; regulates the hours of service and the wages paid to their employees; regulates and compels the installation of devices necessary to safety of life and property and the rates and practices prevailing between shipper and carrier. It is under this power that control is exercised over the

expansion or contraction of facilities and the issue of securities by those engaged in transportation.

It is because of this power that every vessel that plies on the navigable waters of the United States, or in the harbors of our coasts, operates under the inspection and supervision of the government; and every bridge constructed across a navigable stream for the transaction of business must be constructed by the permission and under the control of the government of the United States.

It is because of this power that every car load of meat that crosses from one state into another in commerce has been inspected to make sure of its safety and purity for the health and lives of the people.

It is because of this power that the Anti-Trust laws were enacted nearly half a century ago, the substantial modification of which is now being advocated by some of our business men, and it is because of this same power that other business men are urging the enactment of price fixing legislation and other forms of control intended to protect them from some real or imaginary evil which has grown up in the economic development of our country.

It is because of this power that the Federal Trade Commission exists, the Interstate Commerce Commission was created, the Radio Commission has recently come into being, and many other

balance

politics and business

■ "both business and government must bend all their energies to the laying of a groundwork of solid and substantial soundness and justice to the end that we shall not again enter such a period of despair"

"whose business is business?" answered by



Hon. ALBEN W. BARKLEY
U. S. Senator from Kentucky

agencies of the government and of the people, to carry on this eternal and indispensable connection between government and business have been established and whose abandonment none now seriously recommend.

Some of these agencies have been set up as the result of abuses that crept into the conduct of business. Some of them were designed to prevent the use of favoritism among groups and sections. Some of them were established, as the Radio Commission, in an effort to bring order out of chaos in the exercise and enjoyment of a new and marvelous invention which has broken down the barrier of distance and contracted the earth within the radius of the human voice. Some of them have been set up as agencies through which the government may bring its momentum in the stimulation of initiative and co-ordination and encouragement in the accomplishment of worthy ends impossible by individual effort alone. But they have all in one way or another put the government in "business."

Still other means by which this inevitable partnership between government and business has been maintained have been through such agencies as national banking laws and laws providing for the issue of circulating media in the form of gold and silver coins or in the

form of paper currency based on gold and silver or based on obligations of the government or based on the commercial obligations of business throughout the country. It was an example of that inseparable relation between business and government that the Federal Reserve system was created and the Federal Reserve Board was organized for its administration.

Not only do we see this entangling alliance between business and government in these agencies which I have mentioned, and many more which could be mentioned if time permitted, but in an entirely different field the policies of government bear a direct relationship to the welfare of business. And in speaking of business, I do not mean merely to include the retail merchant, or the wholesale merchant or the manufacturer. I mean to include all the activities of the people of America, whether in field, factory office, or out upon the great highways of travel and transportation for they are all in "business" and they are all affected for good or evil by whatever policies may be adopted by the government. They are all affected by what we call "politics."

Let us take, for instance, the question of taxation. It is amazing to reflect upon the increase in the cost of government in the United States during the

past quarter of a century, but especially since the World War. That great catastrophe seemed to have created an entirely new conception of the value and the power of money. When in nineteen months we realized that the government of the United States had expended more money than it had spent in all its previous history, and that the power of taxation and of borrowing had not even then been exhausted, the momentum of that situation continued long after the war had ceased. In fact that momentum has slackened but little even yet. For from every corner and from every situation there arise new demands upon the public treasury, and I speak not of the national treasury alone, but of all state, county and municipal treasuries as well. For in spite of the terrific annual expenditures of the national government, more than four times what they were before the World War, by far the greater burden of taxation on the people of this nation as a whole arises out of the expenditures incurred by state, county and municipal governments.

Not only is this enormous load of direct taxation bearing directly upon the welfare of business, which pays a large portion of it out of its earnings, directly or indirectly, but business is

(Continued on page 37)



TURN-OVER today is an increasingly serious problem, and to consider turnover in merchandise and in receivables, it is necessary to consider economic conditions as well as certain sidelights which, directly or indirectly, affect turn-over in our respective lines.

In 1922-1923 this country of ours was faced with the problem of liquidation of huge merchandise stocks bought at top prices.

Merchants everywhere were obliged to get out from under. They took heavy losses. This resulted in an era of "hand-to-mouth buying" which was distressing to manufacturers. Resulting from this has come a period in which manufacturers have learned a lesson in which Henry Ford has led the way—the problem of "quantity production" at low prices, though paying high wages.

High wages produce greater purchasing power and the "hand-to-mouth buying" developed the principle of rapid turn-over which the best retail men had been urging for years.

Someone has said that many merchants then bought as though they were doing business on an island which ships visited but twice a year.

They loaded up, and they were caught with the goods!

In order that we may properly consider the past, present and future economical changes we must simplify certain facts, so that we may easily grasp them in their relation to our business, and to do this, we must focus clearly and properly. We can think clearly, only as we have words and figures to vision our thoughts.

The head of the research department of the General Motors says that their constant effort is to keep customers dissatisfied! That is how they get turn-over—they introduce new models.

Have you ever considered that we may be so well satisfied with what we are doing that we may shut our eyes

to the new light of progress? For instance, we all remember how conceited were the Romans of old—the Latin Classics through which we struggled told us that! But, do you realize that there were Romans who even in Caesar's time, wrote long and serious articles on the possibility that some day people might do long division easily. Think for a moment! How would you like to use the Roman system of numbers in your business?

For instance, suppose we attempt to divide 1976 by 38, using the Roman numerals? Try it, and see for yourself why the Romans pondered and pondered over the deviousness of long division. The calculus of our day is easy, as compared with that problem.

Most of the Romans were perfectly satisfied with their system, even as we today are satisfied with the calendar in use today. Because it has been used for centuries, we hesitate to adopt a new and better calendar.

But, just consider what an advance—an improvement—the Arabic system of numbers is as compared to the Roman system.

By the way, scientists tell us that the ancient Mayan civilization in South America had an even better system of numbers than the Arabic. Perhaps, in time to come, we also shall have something better.

At the present time there are many things indicating high prosperity for this country. There are only two clouds on the horizon.

The first is the false idea of cycles of prosperity and depression. This cycle idea is being largely discounted by sane psychology and sensible business methods. Witness that no longer does the presidential campaign send business to the dogs.

The second cloud is the small view of some executives who think the country has gone broke because some of their friends have. Possibly some of these executives have also played the stock market, and their vision is now so warped that they cannot see the way for the constructive work ahead.

Our own attitude toward the present and the future may have far reaching effect. Do you recall the story of the French artist who was dining alone one evening in his favorite cafe in Paris?

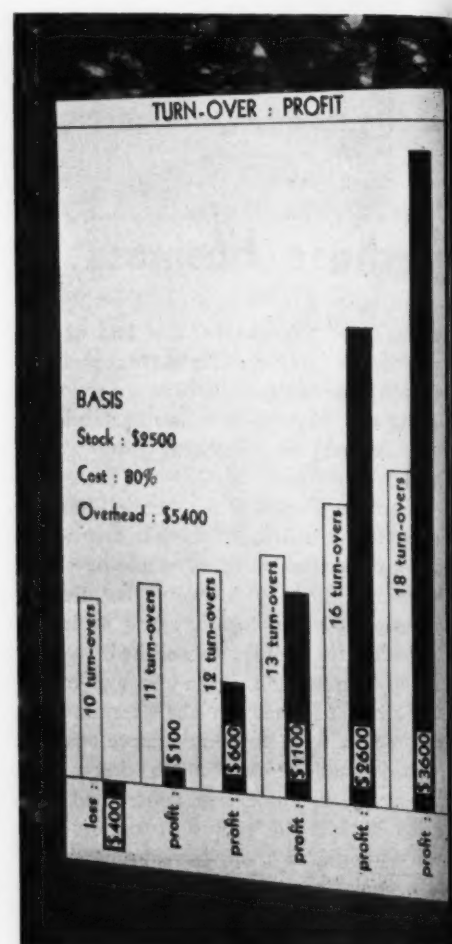
He had dined, and was feeling happy and content with the world. Every-

■ note that while turnover increases in arithmetic progression, profit increases in geometric progression.

■ note that percentage of loss decreases in direct proportion to the size of the store.

■ Credit Bureau users are small losers.

turn



thing seemed rosy. Suddenly, as he sat sipping his wine, he noticed a newspaper. In large letters was proclaimed, "Hard Times Are Coming".

He looked at the headlines, and as he did so he thought, "Well, if hard times are coming I must economize. I'll not take my second bottle of wine."

The proprietor, noticing this, said to the artist: "Don't you like the wine tonight? You didn't have your second bottle."

"Oh yes, I like the wine O. K. but

Turn over and collect

- "face the facts applying to your own business
- "look ahead and plan ahead
- "every properly directed business can have turn-over
- "only when the cash is in, is the turn-over made"



by WALTER B. BRINKMAN
George A. Gray Company

"Hard times are coming. I am sorry we must cancel the order for my portrait, but we must economize."

That night the artist was feeling blue as could be. He went back to the cafe, ordered his dinner, and looking around, he saw the same paper with the headlines, "Hard Times Are Coming." He picked it up. He looked at it and saw that it was four years old—he had started hard times for himself.

Why should we start hard times for ourselves?

We will all agree that to secure a profit, we must get turn-over. In order to show what turn-over can do, we shall present some figures prepared by Stephen I. Miller, of the National Association of Credit Men who prepared the textbook on Standard Economics for the American Institute of Banking. These figures should drive home the importance of turn-over. They tell a story very graphically.

A grocer with a retail inventory \$2,500 stock which cost \$2,000 turns stock 12 times. On an overhead of \$5,400, his mark-up was 20%.

Every dollar sold cost 80c.
12 turn-overs at \$2,500 \$30,000
His goods cost 80% or 24,000

His mark-up was	\$ 6,000
His over-head was	5,400
Net profit	\$ 600

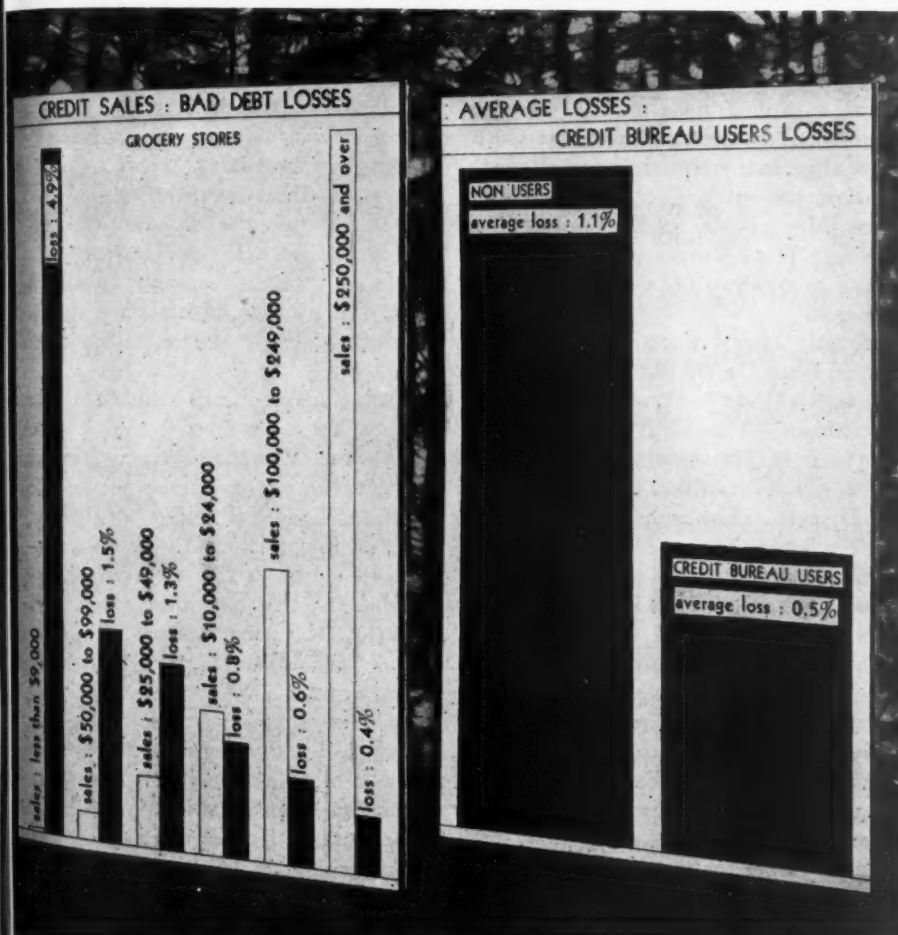
(30% invested capital)
A more efficient grocer could get more turn-overs on the same overhead.

13 turn-overs at \$2,500.
Gross sales \$32,500
80% 26,000

Mark-Up	6,500
Overhead	5,400
Net profit	\$1,100

(55% on capital)

(Continued on page 44)



hard times are coming and I must economize," and so feeling a bit blue and depressed, he went out.

Straightway the proprietor of the cafe told his wife, "Well, I guess you can't have that new silk dress you wanted. Hard times are coming, and we must economize."

And so his wife went to the dressmaker, and said "I'm sorry, but I'll have to cancel the order for my new dress—you haven't started it yet—but hard times are coming, and we must econo-

mize."

This alarmed the dressmaker and straightway she called up the building contractor. "Hard times are coming," she said, "so I'll have to cancel my contract for the remodeling we planned, for we must economize."

Then the builder told his wife, "Hard times are coming. We must economize. You'll have to cancel the order for that portrait you wanted the artist to paint for you."

His wife dutifully told the artist,



I AM very pleased to talk to the Credit Men's Association here in Boston because my first connection with credit of any sort was received when I was receiving my education, such as it was, in New England schools and at Harvard College, and although I spent eleven years here, I am afraid I shall have to confess to our Canadian friend that I have not yet been to see Bunker Hill.

Ladies and gentlemen, I am now engaged in the trial of a case where the plaintiff alleges that he is suffering from a disease known under the terrifying name of pneumoconiosis, or dusty lung. As I was sitting listening to the case, it occurred to me that the real difficulty with the United States is that it is suffering from another disease of a more ancient origin which I have called cerebroconiosis, or dusty brain.

The witnesses in this case testified that the most effective method of preventing the disease was the use of what they called positive pressure masks. These positive pressure masks blew the dust away, and I am hoping that in my few remarks I may contribute to blowing the dust away from American business.

I have chosen as my title, "Preventing Voluntary Asset Slaughter" and I have chosen that title because I wish to forcibly direct your attention to an analogy. You are familiar, of course, with voluntary manslaughter. The increased use of the automobile has made that crime a front page story in nearly every newspaper. We, unused as we are to automobiles, are inclined to drive them recklessly, with the result that many persons are haled before the public authorities for voluntary manslaughter.

It is my judgment that in the conduct of our business affairs we have allowed undesirable standards and too low standards to prevail, with the result of asset slaughter.

It seems to me that there are four things which might be easily improved upon. As you know, the newspapers and the libraries and bookstores are filled nowadays with various plans, borrowed

of course from the Russian plan by the distinguished economist, Mr. Stuart Chase, and generally, I have noticed, in newspaper accounts, without acknowledgment to Mr. Chase.

Before any plan can be put into effect, it seems to me that there are four elementary things which must be cured in our economic life.

It is elementary, of course, that the creation of economic wealth depends upon effective work. Insofar, therefore, as the results of labor come into the hands of four classes of people there is waste. I have listed those four classes of people: First, speculators; second, swindlers; third, loafers; and fourth, fools.

It is startling to me to realize the amount of assets that come into the hands of those four classes of persons. I did not know until I opened the program this morning that you were to hear about the operations of the Curb Exchange, so my remarks on stock speculation are not designed with a fore knowledge of Mr. Muller's interesting speech. Further than that, I am only going to give you my own personal experiences.

Shortly after I was appointed to the bench, I had the sad duty of sentencing various faithless bank officials for embezzlement. I inquired from the Department of Justice what their records show of the disposition of the booty in similar cases. The reply was that in 80 per cent of the cases the money had been used in speculation on the New York Stock Exchange. That is one cause.

Shortly after that, I was asked by a woman's organization in New York to preside at a debate at which we were to discuss speculation. That debate never took place because the then President of the New York Stock Exchange, acting no doubt on obstructive legal advice, objected.

In preparing for the debate, however, I was convinced of two things: First, that the New York Stock Exchange, like so many of our American institutions is unwilling to reform itself. The usual result, of course, of such unwillingness is governmental interference. In other words, the injuries or losses complained of grow so serious that the whole pot boils over on to the legislative stove.

Mr. Muller referred to the German Stock Exchange Law of 1896. I don't know whether he has ever read it. I have, and I have also read the law of 1908 repealing it. The first law was of

too extreme a character, and, as he said to you, inevitably the 1908 law modified the '96 law. He did not mention to you that the 1908 law embodies in it the suggestion of Mr. Taylor of Chicago that the small fry be excluded from stock exchange speculation. Secondly, I did not realize that every financial disturbance on the Stock Exchange in our history had been followed by some sort of public investigation.

I won't go into detail on all those investigations. The two most recent, of course, took place in 1907, under the auspices of Governor Hughes, and in 1914 at the hearing on Senate Bill 3895 of that year, a bill to prevent the use of the mails for fraudulent transactions on the New York Stock Exchange.

It is interesting to note that a distinguished economist of 1908 said, "President Roosevelt's tentative suggestion showed unwillingness on his part to express any opinion as to how speculation might be regulated." Have we heard an echo of that sentiment recently?

It is also interesting to note that Ambassador Gerard and the National Civic Federation's recent attempt to check short selling by legislation is a practical copy of a clause in the Senate Bill 3895 of 1914.

In my judgment, the solution of the problem has been accompanied by too much abuse. On one side the reformers and some of our statesmen accuse the Stock Exchange of being a gigantic leper; on the other hand, the Stock Exchange says that a free market is indispensable and that any interference will seriously affect our financial structure. I think Mr. Muller just said about that, as I understood him.

My suggestion is that the Stock Exchange take under advisement this very simple plan: of course it is true that speculation is not gambling. Gambling has accurately, I think, been defined as a money risk artificially created and not a necessary part of the original transaction. If you will think that over tonight, I think you will see that it is true, although it sounds complicated. Speculation, of course, is part of the original transaction and thereby not gambling. However, margin buying, as we all know, is simply a purchase money mortgage. The only difference between that and the ordinary real estate transaction of that character is that because of the fluctuating character of the security there is a flexible—too flexible for many of us—provision which permits

prevent voluntary asset slaughter

stop the flow of economic wealth "into the hands of speculators, swindlers, loafers and fools"



by HON. WILLIAM CLARK
Judge of the U. S. District Court
District of New Jersey

As you know, and I think as Mr. Muller may have told you before I came in, they are very careful before admitting stock to the Exchange.

Another part of the federal judge's work is the punishment of those who use the mails to defraud. Ever since I have been on the bench, at my criminal term, a series of stock promoters and stock swindlers go before me, and in the course of that work, I have come in contact with many of the victims of their operations, and, gentlemen, it is a sad and heart-rending sight to see widows and wage-earners and people of that type coming in and asking the judge—because they are apt to ask the judge for everything—if they can have their money back.

Punishment, of course, is no deterrent to these scoundrels. It is so profitable that they can well afford to sojourn in the southern climate that I spoke of and then come out and go at it again.

Several of the states, as you know, are trying to prevent stock operations of that character by means of injunctions. The operations of our courts are so tortuously slow however, that this method seems also defective.

Shortly after I was appointed to the bench, I sat at Harrisburg on the con-

(Continued on page 47)



foreclosure by the mortgagee, namely the broker. Of course, that means that speculation is being done with borrowed money, and my suggestion is this: It has been the practice for brokers to extend credit to their customers. It seems to me that the whole evil lies in just that fact because the broker and the customer's man (I don't know whether any of you read that amusing book by Samuel Blythe called "Customer's Man") profit by way of commission from the transaction. Therefore they are attempting to serve two masters. We have ancient authority for the fact that that is impossible. My thought is that the credit function be taken away from the broker and it be reverted to the bank where credit, as you gentlemen know

better than anyone else, properly belongs.

A few years ago, a distinguished economist, Edgar Smith wrote in the *Atlantic Monthly* an article called "The Weak Link in the Credit Chain." He pointed out more eloquently and accurately than I can exactly the situation that I have described, the broker granting credit being the weak link.

My suggestion, therefore, is that the New York Stock Exchange go on a cash basis. If they are unwilling to do so, my very humble prediction further is that government interference will in some way see that they do, because there are those gentlemen who think that it is not necessary for the more unintelligent college graduate to operate the New York Stock Exchange. When I graduated from school, there were fourteen members of my class. The nine stupidest are now stock brokers.

Now, however, as Mr. Muller has survived, I am going to say some kind words about the Stock Exchange, to "give the little girl a hand." In one other aspect of their work it seems to me they perform a most essential function, that is, their listing requirements.



THERE is nothing perhaps that interests the business man, whether a credit man or an executive or only an ordinary employee, as much as what business is going to be in the future.

In 1919, I started out to find out what business was going to be in the future. Everybody who predicts the future is considered more or less of a nut and must necessarily be so because the future cannot be predicted 100 per cent., at least for long times ahead. But I believe that every man can know what business is going to be a year ahead all the time and I am going to show the basis on which we have predicted business since the fall of 1919.

The Weather Bureau started a great many years ago to predict the weather, and still today with all of the facilities of reports and stations, spread all over the United States and the rest of the world, it is still able to be only about 80% correct. But if you will show me any gambling proposition in which I may win eight times out of ten, I am going to back that proposition.

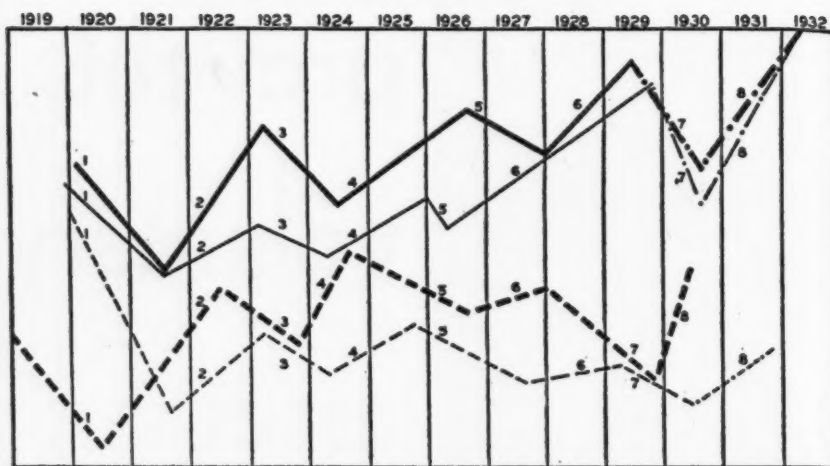
We have many competitors in the field of business prediction. We have organizations with as high as 150 people on the staff collecting figures and statistics. Why then haven't we progressed more in the direction of greater accuracy in this prediction business?

Simply because we have got a lot of business men in this country who believe that business is a question of pure psychology. They believe that if President Hoover and Henry Ford and Charlie Schwab and the rest of them all get together and say "Let's have good business," we are sure to have it.

They did it last spring and business got worse. It has been getting worse ever since. You can make business by psychology only in very small degree. Business is not a question of psychology; it is a question of fact.

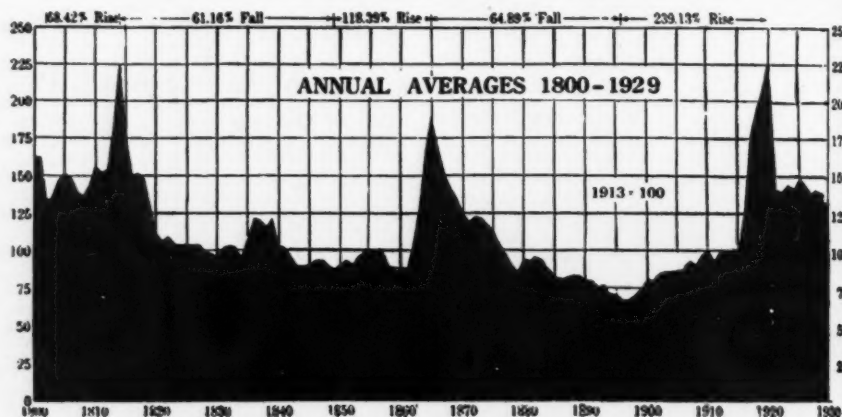
In my personal opinion, money rates forecast the course of the business cycle, the rate of commercial paper turns up and down in major swings and business follows from nine to eighteen months

Business Swings 1919 - 1932



The heavy dotted line is commercial paper rates, New York, reversed. This shows the swings in credit supply. It is the forecaster, preceding the other business factors in their cyclical fluctuations. The heavy solid line is the volume of industrial production, Federal Reserve Bulletin. The light dotted line is wholesale commodity prices, Guaranty Survey. The light solid line is industrial stock prices, the Annalist. Estimated movements are indicated by breaking the lines with dots and are numbered 8. The forecasting line, money rates reversed, forecasts only the direction of the trend and the approximate length of the other lines. The lines on the chart are comparable only for direction and duration of trend. They represent the short cyclical swings by straight lines connecting cyclical peaks and cyclical low points. Minor fluctuations are omitted.

Chart 2. Wholesale Commodity Prices.



Wholesale commodity prices, showing the long-continued fall following each great war since 1814. From the chart prepared by the Stable Money Association.

later. It has done so very accurately since 1884, regardless of wars and other conditions.

The thing that we are not able to determine long in advance is whether a falling off in business is going to be a recession or a depression. We had recessions in 1924 and in 1927, but I think perhaps every credit man will admit that at present we have a really serious depression.

We business men manufactured this depression. It isn't quite due to sun spots or psychology; it isn't due to wars. It is due to folly and ignorance.

I can't say that we know very much about the cure, but if the doctors can cure yellow fever, if Edison can give us the electric light, it is up to business men to do something to stabilize busi-

ness in the same way that Sperry has stabilized the rolling of a ship. At least if we can't level the valleys and the depressions of the business cycle, we can know when they are going to occur, which will help a great deal.

The big problem which I have had to face in the past twelve years has been the psychology of business men. I have been unable to get my predictions of depressions published in the past by the leading business publications of this country because business men don't want to know about depression, or if they do, they seem to think that if we don't talk about it, perhaps we won't have it. It doesn't make any difference whether we talk about it or not, we shall have it just the same. Therefore, the best thing to do is to prepare for it.

deflate!



- purchase prices are deflated
- can commodities be produced at deflated prices without deflation of wages?
- would wage reduction lower the actual scale of living?



by ALVAN T. SIMONDS
President, Simonds Saw & Steel
Company

This is a world of credit and money and capital but even our leading business men today seem to know very little about money.

My business is going to be good next year. Without regard to what happens to general business or what happens to your business, my business is going to be good. I know that for the reason that there is an old saying in our business, the first hundred years are the hardest—and we have been 99 years in business, so I know my business is going to be good next year.

I am going to ask you first to follow with me a few charts with regard to what we can expect for the immediate future and then what we can expect for the long-time future.

Depression was at its bottom in December 1930. The volume of industrial production turned up in January. It has moved up for the first three months of this year. When I say volume of industrial production, I mean the total volume of manufacturing and mining, as reported in the Federal Reserve Bulletin.

Industrial production turned down in June 1929 but the stock market didn't find it out until October and November. Business has turned the corner and unless some William Jennings Bryan or some other equally persuasive advocate of something ridiculous comes along, we can expect that after a seasonal slump of two months this summer, such as usually occurs each year, business will renew the upswing in September.

In January, 1929, at the meeting of the National Shoe Manufacturers' Association held at the Hotel Astor in New York, I predicted that business



would soon turn down. The audience didn't like it, but my purpose is to tell you what I think you can bank on as to business; whether you like it or not makes no difference. The future of business does not depend upon whether you like it or not. It is a question of how much brains you put into and continue to put into your business.

Necessarily when we human beings make business predictions we are bound to be wrong a certain part of the time. So far as I know, nobody has been able accurately to predict long in advance the depth of the depression valley or the height of the prosperity which is ahead.

I wish that every business man in the United States would study the accompanying chart which graphs fluctuating commodity prices. It is the most important factor I wish to emphasize in this discussion. The value of the dollar in terms of commodities, i. e., commodity prices, fluctuates as shown on the chart. When we have a war, we have inflation of the dollar and after we finish the war, we have deflation. That is a very important fact for business men. It is im-

portant particularly to credit men. It is important to everybody. We manufactured this present depression first because we paid no attention to the chart.

After every war, the purchasing power of the dollar continues to increase, i. e. prices fall roughly for thirty years, provided there is no other big war or no other William Jennings Bryan appears in the picture. That is what you can expect in the future.

The population of the United States increased between 1920 and 1930 by an average of $1\frac{1}{2}\%$ annually. Industrial production increased by an average of $3\frac{1}{3}\%$, meaning therefore that the standard of living, not in dollars but in things consumable, went up by the difference between $1\frac{1}{2}\%$ and $3\frac{1}{3}\%$. In other words, the standard of living increased all of the time from 1920 to 1930 on the average and will probably continue to increase in the future.

We have a good many people complaining about these times; but over the last ten years, the standard of living has been twice what it has been in Great Britain, three times what it has been in France and Germany, five times what it has been in Italy, and ten times what it has been in China and India. It is a wonderful country. We are going to have better times than we ever had before.

The problem—and here is where the rub comes—is if you want to keep that volume of industrial production on the average line and neither higher nor lower, there is just one way and only one way you can do it, and that is to

(Continued on page 48)



THE Bankruptcy Session which took place on Tuesday afternoon at the Boston Convention was voted by all those present one of the most interesting and vital sessions of the Convention.

Mr. F. B. McComas of Los Angeles, a past president of the Association, presided. He introduced as the first speaker, W. Randolph Montgomery, counsel for the N. A. C. M. Mr. Montgomery was followed by Lloyd K. Garrison, Special Assistant to the Attorney General who, for the past year, has been directing a nationwide investigation of bankruptcy administration. He analyzed the results of the past year's work, pointing out the deficiencies in the present administration of the Bankruptcy Law and suggesting ways of overcoming these deficiencies.

Mr. Orville Livingston, Secretary-Manager of the St. Louis Assn. of Credit Men, then approached the problem of bankruptcy administration from the point of view of the credit executive.

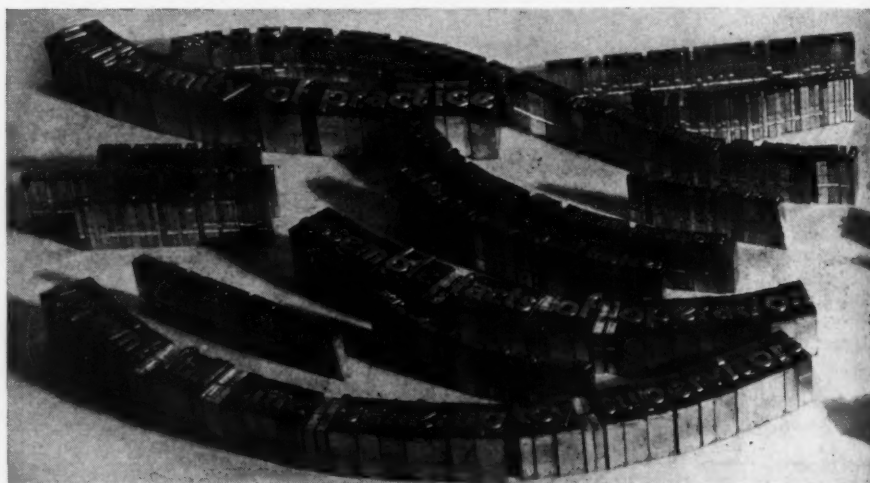
The rest of the meeting was devoted to a general discussion. Several members of the audience brought up points which none of the speakers had covered in their talks. These questions were directed to Mr. Garrison who answered each one in a very thorough and interesting manner. In this way, he was enabled to amplify many of the statements which he made during his address to the Bankruptcy session.

The first speaker, Mr. W. Randolph Montgomery, gave the report for the Bankruptcy Committee of the N. A. C. M. He pointed out that the current nation-wide investigation of bankruptcy administration by the U. S. Department of Justice is a direct result of the report of the Bankruptcy Committee at the Dallas Convention last year. Mr.

Garrison, who is supervising this investigation, has received full cooperation from the National Association of Credit Men, as well as the American Bankers Association, National Association of Manufacturers, Chamber of Commerce of the United States and the National Retail Credit Association. As a result of a year's work in the field, Mr. Garrison is convinced that the Adjustment Bureau system of the National Association of Credit Men is something to be "conserved and extended."

mental agency which will correct these three deficiencies. This body might be made up of ten Bankruptcy Supervisors, one appointed for each of the ten judicial districts.

The second problem which Mr. Garrison attacked was the dissipation of assets before bankruptcy proceedings are instituted. Most insolvent businesses or individuals are so far gone when they reach the bankruptcy courts that very little can be salvaged. The Bankruptcy Law has no remedy for this situation. Mr. Garrison believes, on the



In introducing the second speaker, Mr. Garrison, Chairman McComas said: "We have been charmed with him out on the Pacific Coast because we realized that for once we were talking to a representative from the Government who was a real human being and a man with a broad scope and knowledge, a man capable of analyzing the situation, and he comes with a story today that I am sure you will enjoy hearing him relate."

Lloyd Garrison told the Bankruptcy session that the research work of the Bankruptcy Investigation is virtually completed and that conclusions are now being formed on the basis of this research work. These conclusions he presented in his address.

He found the following three major faults in the present system of bankruptcy administration: 1. a total lack of uniformity of practice. 2. the absence of adequate machinery for investigating alleged abuses not of a criminal nature on the part of bankruptcy officers and others. 3. the impossibility of assembling data about the operation of the Bankruptcy Law without a long and laborious inquiry of the type the Department of Justice has been conducting. Mr. Garrison believes that there should be a permanent govern-

reset the

other hand, that much can be done to correct this situation, through the methods developed by business men and business organizations like the N. A. C. M. Adjustments Bureaus to liquidate the affairs of insolvent debtors out of court. The prime advantage of the assignment method over the bankruptcy method is that cases are adjusted in a comparatively early stage of failure, the majority while the debtor is still three-quarters solvent.

The assignment or out-of-court method of settling failures is not, however, without its disadvantages. For example, any time during the course of an assignment case, some unscrupulous attorney who can present three claims can dump the case into bankruptcy for the sake of the fees. Also, if evidence of fraud or preference is discovered by the assignee during the administration of the case, he must turn it over to the bankruptcy court. This occasions delay, added expense, etc.

As a third disadvantage: unanimous

consent of creditors is required to put through composition agreements, extension arrangements and to get releases for the debtor. One of the gravest disadvantages is the fact that in the larger cities, friendly assignments initiated by a debtor or his attorney are general. The assignment will be handed to some friendly attorney, who will sell the assets, quite often back to the debtor or some relative of his and the estate will be milked with fees and expenses. If the creditors then throw the case into bankruptcy, very little

notice should be given immediately to all creditors. Every precaution should be taken to insure that the assignee who will administer the assignment is a fit and reputable person and acceptable to the creditors. This might be accomplished by the following measures: local licensing of qualified assignees; approval of the assignee at a general meeting of creditors held at the start of every case; requiring the assignee in each case, within a limited period of time to secure the written consent of a certain percentage of the largest



AN OPEN FORUM

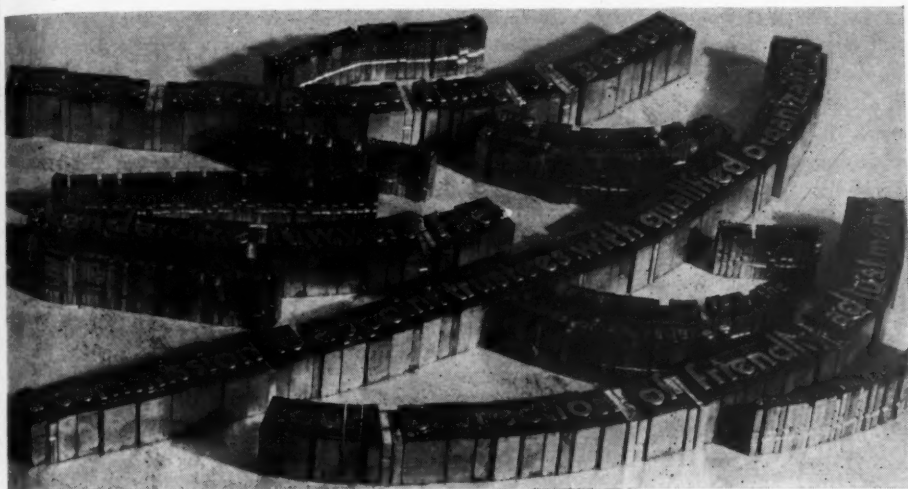
preferences and fraudulent transfers and the right to examine the debtor and other witnesses under oath before the referee.

Fourthly, composition arrangements, extension agreements and releases for the debtor should be subject to confirmation by the referee as soon as a certain proportion of the creditors have signed it. His approval would make the agreements and releases binding upon the minority.

Fifthly, the criminal provisions of the bankruptcy law relating to bankrupts should apply equally to debtors and those relating to receivers and trustees should apply equally to assignees.

Mr. Garrison then left the subject of out-of-court assignments to discuss several major problems of bankruptcy administration. He approached first the problem of wage-earners who are thrown into bankruptcy. He brought out the fact, which perhaps is not well-enough known, that approximately half the bankrupts in the country are wage-earners and actually employed at a fixed salary at the time of bankruptcy. They have no assets over exemptions and go into bankruptcy to save their salaries and their jobs. A considerable proportion of them could pay their creditors in full if given time, yet no attention is paid to this possibility and wage-earners are discharged in bankruptcy with automatic regularity.

A plan which has been followed with success by retail credit bureaus throughout the country might very well be adopted universally and legalized by inclusion in the Bankruptcy Law. A wage-earner who is about to go into bankruptcy is sent to the local retail credit bureau. There he discusses his situation with the manager. If possible, the manager will arrange to amortize the debts of the wage-earner by col-



the bankruptcy law

reduce the present staggering loss by correcting the factors that application has proved inefficient

can be recovered.

Fifth, in some districts courts look upon assignments as bootlegging. Friction easily develops between the courts of the district and the organization which handles the assignments. Finally, in a few states, assignments are provided for in the state statutes, and all assignments must be filed in the state courts. The assignment procedure laid down by the courts is so laborious and expensive that assignments are virtually unknown.

How can these disadvantages be overcome? Mr. Garrison made the following suggestions: Every assignment should be filed in the district court and

creditors agreeing to his appointment as assignee, the case to be adjudicated automatically into bankruptcy if he cannot fulfill this requirement.

The second improvement to be sought in the assignment system is the elimination of assignments as an act of bankruptcy, so that they can no longer be dumped into the bankruptcy court even after they have been started. In order to offset the possible disadvantages of this loss of power on the part of creditors, creditors might be given the compensating privileges of petitioning the referee for the right to examine the debtor, the removal or correction of the assignee or the right to examine the assignee's final account and penalize him for improper expenditures. As a further safeguard to creditors, the law would prescribe in detail the duties of the assignee in bankruptcy.

As a third objective, the assignee should be given the title and all the powers of a trustee in bankruptcy, including the right to sue to recover



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LLOYD GARRISON,

Special Assistant to the Attorney-General, has been traveling over the country investigating the bankruptcy situation first-hand. Help him help you.

lecting from him a monthly sum for a stipulated number of months to be used in paying off his debts. The manager communicates with all the creditors of the wage-earner, asking them to refrain from garnishments and give the individual a chance to work of his debts. The disadvantage of this outside-of-court method is that there is no legal method of restraining an individual creditor from obtaining a garnishment and nullifying the amortization plan.

The obvious way to overcome this difficulty and to retain the favorable aspects of the plan is to legalize the procedure and make it a part of the National Bankruptcy Law. The wage-earner would be required by law to go first to the office of the referee before he could file a petition in bankruptcy. His case would be examined and if there were a possibility of successful amortization, the referee would try to persuade him to take the option, pointing out the stigma attached to being declared bankrupt. This plan would protect the majority of wage-earners who honestly want to pay their debts from loan-sharks from whom, under the present system, they frequently borrow to avoid bankruptcy.

The question of examinations of bankrupts came in for discussion next. Mr. Garrison pointed out that the bulk of business bankruptcies, outside of the wage-earner cases, consists of cases with very small assets. Cases of this type often receive only the most cursory type of examination, because there is no

"money in the pot" to pay adequately, if at all, for the services of referees, trustees and attorneys. Yet every bankrupt should be given a thorough examination to insure proper respect for the Bankruptcy Law.

Mr. Garrison suggests that every mercantile bankrupt should, upon adjudication, be required to appear before a government auditor with his books and records. The government auditor will give the bankrupt and his records a standardized, thorough examination, and if necessary, will investigate the premises in which the bankrupt has done business. He will prepare a report of his findings and present it at the first meeting of creditors. These government auditors would report to the Department of Justice any evidences of fraud which could be immediately investigated by that body.

Discussing discharges in bankruptcy, Mr. Garrison said that in some cases, a discharge which should be contested is passed by creditors either through laxness or unwillingness to incur further expense. He suggested that there should be a hearing in every case, regardless of the action of the creditors, at which the question of discharge would be discussed. At this meeting, the trustee, on his own motion or directed by the referee, would be permitted to file objections to the discharge. The hearing could be automatically set before the referee as soon as the examinations were concluded.

Mr. Garrison concluded his address with the statement that there were a number of other important problems brought out by the survey which time did not permit him to discuss: the number, jurisdiction, compensation and power of referees; the expedition and simplification of procedure in all the steps in bankruptcy; and the abuses of the proxy system of electing trustees. He reiterated the statement that the suggestions he had made in his address were not final or in any sense an expression of the views of the Department of Justice.

The next speaker was Mr. Orville Livingston, Secretary-Manager of the St. Louis Association of Credit Men who discussed the problem of bankruptcy administration from the point of view of the credit executive and the problems he encounters in dealing with failing merchants.

The first difficulty Mr. Livingston cited is the lack of a clear definition

of insolvency. Often a creditor is certain that a debtor is dissipating assets, but he cannot file a petition because it is not definitely prescribed by law under what conditions a merchant may be petitioned into bankruptcy. Mr. Livingston believes that this problem could be solved by shifting the burden of proof to the alleged bankrupt and making him contest the petition by proving that he is solvent.

Mr. Livingston put himself on record as favoring a more careful selection of trustees. He believes that these should be selected by a commission in each district, composed of men in different lines of endeavor, representing both business and the professions. Trustees should be selected on the basis of their ability, their reputation and that of the organization with which they are connected.

Time-saving is another factor in bankruptcy administration which should be more carefully considered. Mr. Livingston believes that the time which elapses from the date a petition, either voluntary or involuntary, is filed, until a trustee can be put in charge could be shortened at least 50 per cent. Proceedings could be begun in the case of both voluntary and involuntary bankruptcy, just as soon as a list of the creditors was filed. Mr. Livingston suggested as a timesaver that the referee mail with his notice of the first meeting of creditors a list of the licensed trustees in the district so that the creditor, in his reply to the notice, could indicate his choice for trustee.

One way of shortening the proceedings in a bankruptcy case would be to make four months the maximum amount of time a bankrupt may have in which to file a petition for discharge. He might be encouraged to file a petition more quickly if a provision were written into the Law to the effect that any assets which might come into the estate through inheritance, salvage or from other sources, would accrue to the trustee until the petition for discharge were filed.

To minimize dissipation of assets, Mr. Livingston suggested that discharge should be automatically denied to any bankrupt who waits until his assets are dissipated beyond the point where he can pay his creditors 25 per cent., unless he can show that he had the consent of more than 50 per cent. of creditors. These 50 per cent. must represent at least 50 per cent. of the amount of

(Continued on page 51)

protect railroad capital



the vision of coordination of all transportation that lies behind the application by the railroads for an increase in their freight rate



by ELISHA LEE
Vice President
Pennsylvania R. R.

be to accept the inevitable, to admit that no interests can be permitted to stand in the path of progress, and that investment losses caused by the iron laws of economics must be borne as best they may.

But we are faced with no such situation. In spite of our multiplying means of transport, the railroads of this country in 1929, the last year for which figures are available, performed nearly 90 per cent. of the total ton-miles of commercial freight service rendered to the nation, exclusive of the traffic borne upon the Great Lakes. In other words, the rail systems unquestionably remain the backbone of the country's transportation plant for freight service. And I may add that they remain so for passenger service as well, over hauls of any considerable distance, regardless of the inroads made upon short-distance travel, chiefly by the private automobile.

This vast bulk of the nation's transportation service which the railroads are continuing to render, they are enabled, by the nature and extent of their facilities, to furnish with incomparably greater efficiency, dependability, reliability and continuity of operation, than any other form of transport yet devised. They occupy an absolutely indispensable place in the carrying on of the country's industry and commerce, and the maintenance of our almost inconceivably complex social order. Think of the chaos and destruction that would descend upon such a city as this, or upon the still more populous metro-

(Continued on page 52)

BY far the most important factor in the railroad situation today is the pending application for increased freight rates. This problem transcends in importance any other internal economic issue before the country today. It is presented frankly for what it is, namely as an emergency measure to deal with emergency conditions. It makes no pretense to deal fundamentally or permanently with the perplexities and problems in which our railroads, and indeed our transportation facilities generally, are enmeshed. It is designed to get us past a serious crisis which must be faced and met in decisive manner, and which will brook no unnecessary delay.

It is of the utmost importance that the public shall clearly understand and grasp this situation in order that the reaction of the public mind upon the railroads' application may at least be based upon a correct appraisal of what is being sought and why it is being sought.

A situation in which properties representing twenty-six billions of dollars of invested capital are reduced to an earning power so wholly inadequate as to imperil their credit and ability to attract new capital, is certainly a most serious one. The application of the railroads for an advance in freight rates, however, is not based upon any plea for the artificial protection of capital. Nor is it based upon any plea of sympathy or pity for the owners of that capital.

If the railroads were in such position that their physical usefulness was passing, that they were being supplanted by newer, better and more economical forms of transportation—in short that they were entering a stage of obsolescence as media for rendering efficient public service—the situation would still be a most serious and dangerous one. It would, however, without doubt be even more serious and dangerous to attempt to save or prolong the life of that capital at public expense. The far sounder course in the long run would

current survey of credit conditions

■ W. S. Swingle, Director of the Foreign Department and the Foreign Credit Interchange Bureau of the National Association of Credit Men, in this article gives his current statistical interpretation of Latin-American credit conditions and collections. You may refer to the February, April, July and October, 1930, and January and April, 1931 issues for previous surveys.

THE second quarterly survey indicates practically no improvement in the credit and collection conditions in the twenty-one Latin-American markets covered in the survey, which is based on the opinion of the members of the Foreign Credit Interchange Bureau of the National Association of Credit Men, at the close of June, 1931.

This chart shows graphically collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country during each survey.

In this survey which is the eleventh successive quarterly review of credit and collection conditions in Latin America, compiled by the Foreign Department of the National Association of Credit Men, the generally unsatisfactory conditions in many Latin American countries continue to be reflected, and the comparison between this period and the quarter which closed June, 1930 is indicated in the charts, which carry forward the summaries published in the February, April, July, October, 1930 and January, 1931 issues of CREDIT MONTHLY and the April, 1931 issue of CREDIT AND FINANCIAL MANAGEMENT.

Comparisons in the general trend of conditions present an interesting picture, particularly if these charts are compared with those published two years ago in CREDIT MONTHLY. The survey of credit conditions indicates that there is a continuing decline in index figures in thirteen of the twenty-one countries covered, with an improvement in eight countries, three of which are of practically no consequence.

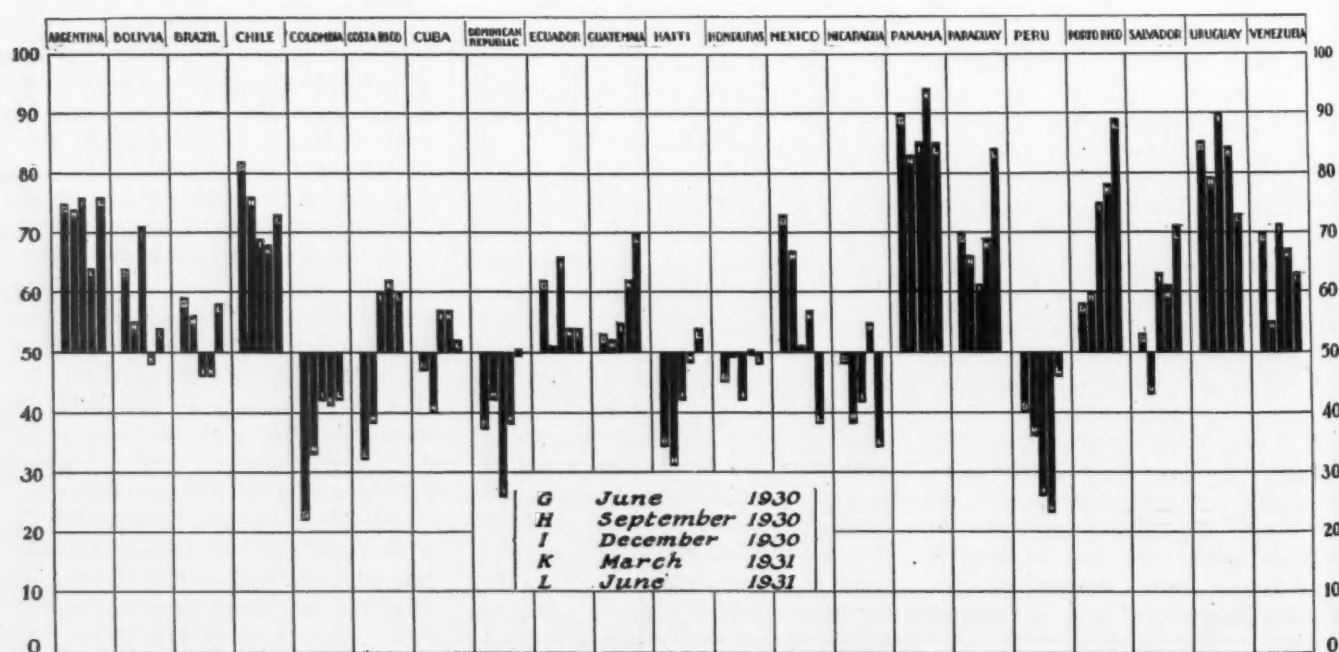
Another interesting picture is that of the improvement shown, with the exception of Porto Rico, in countries which are already classified as poor or very poor. For the fourth time the survey indicates that in none of the countries can credit conditions be clas-

sified as good and in 50 per cent. of the countries the classification is very poor. Peru and the Dominican Republic show gains, but still remain in a low classification, and the greatest falling off in the index figure is indicated in Nicaragua, Venezuela and Cuba.

By reference to the charts, it can be seen that the decline in the credit index of Chile over last year indicates a change in trend and at the end of June showed a position which gave advance notice of recent developments in that country. The same indications can be found in Mexico where the index figure since last June has been steadily declining. This brings the credit condition index for this country to a classification of "very poor" and indicates difficulties which have come about within the past two weeks in the Mexican financial situation, culminating in the new, arbitrary currency regulations.

Colombia is another country in which the index indicates a reversal of the improvement which has been shown in previous surveys. Cuban conditions indicate a continuance of the decline which has been going on over the past year.

The situation in Porto Rico shows a slightly improved index figure. Since this survey was closed in June, subsequent developments indicate the cor-



ns and collections in Latin-America

rectness of the trends indicated by the graphical charts.

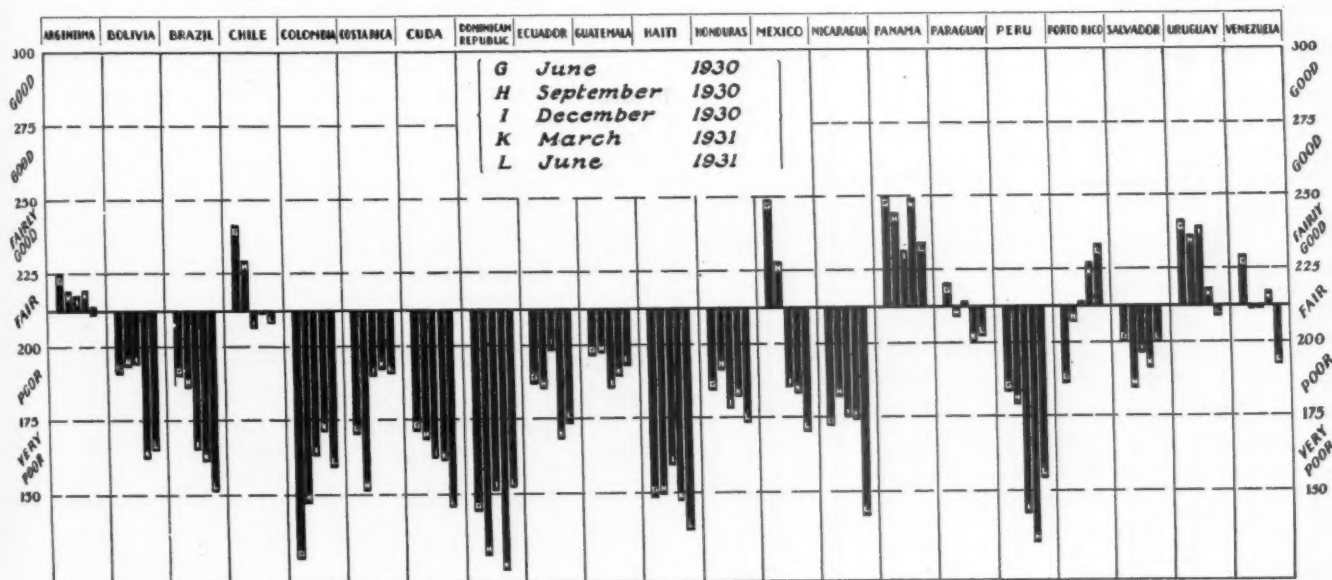
Exchange conditions present one of the most difficult problems in regard to collections, particularly in such countries as Mexico where the silver situation and subsequent placing of the country on a silver basis, bear out the considerable drop in the collection index as indicated. There are indications that although credit conditions in countries are not good, yet there has been an improvement in the collection index, due

comparatively favorable, but it is quite likely that continued vigilance and follow up will be necessary in handling business in these countries where conditions may not be expected to show any marked improvement in the near future.

These surveys reflect the credit background of commercial transactions rather than the general political and financial situation and the results are based on the opinion of those conducting business in the countries covered.

The classification of "fairly good", covers the index of 250 to 225 with

The chart below gives credit conditions in twenty-one Latin-American countries, based on data compiled in five surveys described in this article. This chart is scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.



either to better selection of accounts or closer follow-ups on collections.

Porto Rico now comes to the head of the prompt collection group, and improvements are shown in all but six countries. While credit conditions have declined in Brazil and Haiti, nevertheless there is an indication of better collections.

The delay in collections from Peru, which has existed for some time with a resultant falling off in the collection index has now shown an improvement.

In spite of improvement during the past year, Colombia is still classified as slow, but is considerably better than a year ago when the index for this country reached the lowest point of any covered by the surveys.

Collections, even though business has been reduced in volume, remain

The collection index does not attempt to reflect any change in terms, but refers to the payment of obligations on the due date in accordance with the terms of sale.

It may be explained for the benefit of those who may not have a record of the basis on which these surveys have been made, that the credit survey is based on reports of good, fair and poor, compiled into percentage figures of all those reporting with the results indicated in the index figure, using the same basis as that of the previous surveys for comparative purposes.

The index of 250 or better covers a percentage of not less than 60 per cent. good and 40 per cent. fair, with the classification of "good".

the percentage of 25 per cent. good, 75 per cent. fair.

Between the index figures of 225 and 200, the classification is "fair", with a minimum of 100 per cent. fair.

For the classification of "poor", the index figure is 200 to 175 with a low percentage of 75 per cent. fair, 25 per cent. poor.

Below this, the classification is "very poor".

In graphing collection conditions, the index of 50 per cent. prompt or fairly prompt has been taken as the mean for comparison. An index better than 50 per cent. prompt or fairly prompt appears above the mean line in the graph, while a less favorable index runs downward from the mean position.

nation-wide collection and sales conditions

what they are at present

the outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its seventeenth monthly survey of Collections and Sales Conditions. This survey is based upon reports from 95 cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?",

■ This is the seventeenth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit and Financial Management.

are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so

that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales	State	City	Collections	Sales
Ariz.	Phoenix	Slow	Slow	Mont.	Billings	Fair	Fair
Cal.	Los Angeles	Fair	Fair		Great Falls	Slow	Fair
	Oakland	Fair	Fair		Helena	Fair	Good
	San Diego	Fair	Fair	Neb.	Omaha	Slow	Slow
	San Francisco	Fair	Fair	N. J.	Newark	Slow	
Colo.	Denver	Slow	Fair	N. Y.	Albany	Fair	Fair
	Pueblo	Fair	Fair		Buffalo	Fair	Fair
Conn.	Waterbury	Fair	Fair		Elmira	Fair	Fair
D. C.	Washington	Fair	Fair		New York	Fair	Fair
Fla.	Jacksonville	Slow	Slow		Rochester	Fair	Fair
	Miami	Good	Fair		Syracuse	Fair	Fair
	Tampa	Fair	Fair		Utica	Fair	Fair
Ga.	Atlanta	Fair	Fair	No. Car.	Charlotte	Slow	Slow
Idaho	Boise	Fair	Fair	Ohio	Cincinnati	Slow	Fair
Ill.	Peoria	Fair	Slow		Cleveland	Fair	
	Quincy	Slow	Fair		Columbus	Slow	Slow
	Rockford	Slow	Slow		Toledo	Slow	Slow
Ind.	Evansville	Slow	Slow		Youngstown	Fair	Slow
	Indianapolis	Slow	Slow	Okla.	Oklahoma City	Slow	Slow
	South Bend	Slow	Slow		Tulsa	Fair	Fair
	Terre Haute	Fair	Fair	Ore.	Portland	Fair	Fair
Iowa	Burlington	Fair	Fair	Penn.	Allentown	Slow	Slow
	Ottumwa	Fair	Fair		Altoona	Slow	Slow
	Sioux City	Fair	Slow		Harrisburg	Fair	Fair
	Waterloo	Fair	Fair		Johnstown	Fair	Fair
Kan.	Wichita	Fair	Fair		New Castle	Slow	Slow
Ky.	Louisville	Fair	Fair		Pittsburgh	Slow	Fair
La.	New Orleans	Fair	Fair		Scranton	Fair	Fair
	Shreveport	Slow	Slow		Uniontown	Slow	Fair
Md.	Baltimore	Fair	Fair		Wilkes-Barre	Slow	Fair
Mass.	Boston	Fair	Slow	R. I.	Providence	Slow	Slow
	Springfield	Slow	Slow	So. Dak.	Sioux Falls	Fair	Good
	Worcester	Fair	Fair	Tenn.	Memphis	Slow	Slow
Mich.	Lansing	Slow	Slow	Tex.	Austin	Slow	Slow
	Saginaw	Fair	Fair		Wichita Falls	Slow	Slow
Minn.	Duluth	Fair	Fair	Utah	Salt Lake City	Slow	Fair
	Minneapolis	Fair	Fair	Va.	Bristol	Fair	Fair
	St. Paul	Fair	Fair		Lynchburg	Fair	Fair
Mo.	Kansas City	Slow	Fair		Norfolk	Fair	Fair
	St. Joseph	Slow	Slow		Richmond	Fair	Fair
					Roanoke	Fair	Slow

State	City	Collections	Sales	State	City	Collections	Sales
Wash.	Bellingham	Slow	Slow	W. Va.	Parkersburg	Fair	Fair
	Seattle	Fair	Slow		Wheeling	Slow	Slow
	Spokane	Fair	Fair		Williamson	Slow	Slow
	Tacoma	Fair	Fair		Fond du Lac	Slow	Slow
W. Va.	Bluefield	Fair	Fair	Wis.	Milwaukee	Fair	Fair
	Charleston	Fair	Fair		Oshkosh	Slow	Slow
	Clarksburg	Fair	Fair		Honolulu	Slow	Slow
				T. H.			

■ ■ comments on collections and sales conditions ■ ■

ARIZONA: Phoenix reports "Slow" collections, with some sections of the State of Arizona in a grave condition. There is a seasonal slowness in sales in the southern part of Arizona and the northern territory which is ordinarily good has fallen off in sales.

CALIFORNIA: San Francisco reports collections as showing a marked improvement over the previous month.

COLORADO: Collections throughout Denver average "Slow to Fair" with sales "Fair." While the fruit crop is good, the farmer's outlook for good wheat and corn prices is not bright.

FLORIDA: Conditions in general are slow, a natural condition during the summer season in this territory. This summer, however, conditions are slower than ever before. Naval Stores business and lumber business, both big industries in this state are now in very bad shape. Collections and sales in Miami show an improvement, due to the rebuilding of the race track which seems to have stimulated sales.

ILLINOIS: Rockford reports slow conditions due to banks closing.

INDIANAPOLIS: Collections in South Bend show a slight improvement over the last 60 days. Terre Haute notes an improvement in both sales and collections.

IOWA: Business will be slow in Sioux City until the new crop is assured. Dry weather is holding back buying, and very little gain in sale is expected in the entire state. The corn outlook is good but more rain is needed.

KANSAS: The low prices of wheat, oil and livestock, which are the lowest ever reported, do not present a very bright future, and these low prices will surely affect collections before the year

is through.

KENTUCKY: The most encouraging factor in the situation in Louisville is the announcement that a plan of reorganization has been perfected for the Louisville Trust Company which should reopen about Aug. 1.

LOUISIANA: North Louisiana reports collections as still slow. No improvement is expected before Fall.

MINNESOTA: Collections and sales in this territory are reported "fair," and in many cases collections are reported a little better than in 1930. Sales are seasonable. Hot weather and occasional rains have greatly benefited the corn crop and Minnesota will have the greatest crop in history. Small grain has been hurt to some extent by the heat and in all probability will not be as good as expected. Department store sales seem to be a little better than in most markets. Rains in Western Dakota and Montana

came too late to save the grain crop, but grazing has been helped.

MISSOURI: The crops in this section are good but prices on them are low and tend to keep collections and sales "slow."

MONTANA: Collections in the northern half of Montana are exceedingly slow. In one section the Red Cross has already started its good work and it is expected that it will be further called upon. The cause of this is attributed to the loss of crops. Many commodities sold on contract are being necessarily returned because of inability to continue payments.

NEBRASKA: Omaha reports that some lines show an improvement due to the elimination of competition. General conditions, however, are slow on account of low prices for agricultural products.

OKLAHOMA: The price of oil is so low that it has a very bad effect on all business in the oil districts.

PENNSYLVANIA: Activity in coal presages better sales and collection conditions in 30 or 60 days.

RHODE ISLAND: Conditions in this section remain slow although a slight increase has been noticed which is probably due to the opening of the shore resorts.

TENNESSEE: Crop prospects are excellent.

VIRGINIA: Reports from the leading cities are "Fair." Bristol reports June as the best month this year for both collections and sales. Norfolk reports a decided improvement in collections and sales.

HONOLULU: The first week of July showed a slight improvement but since then conditions are showing a decided slower tendency, and the report is "Slow."

changes since last month

State	City	Collections	Sales
Arizona	Phoenix		Fair to Slow
California	San Francisco		Slow to Fair
Colorado	Denver	Fair to Slow	
Dist. of Col.	Washington	Good to Fair	
Idaho	Boise	Slow to Fair	
Illinois	Peoria	Slow to Fair	
	Quincy	Fair to Slow	
Iowa	Sioux City		Fair to Slow
Louisiana	New Orleans	Slow to Fair	Slow to Fair
Michigan	Lansing	Fair to Slow	
Missouri	Kansas City		Slow to Fair
Montana	Great Falls		Slow to Fair
	Helena	Slow to Fair	Fair to Good
Nebraska	Omaha	Fair to Slow	
New Jersey	Newark	Fair to Slow	
New York	Albany		Slow to Fair
North Carolina	Charlotte	Fair to Slow	Fair to Slow
Ohio	Cincinnati	Fair to Slow	
	Youngstown	Slow to Fair	
Pennsylvania	Allentown	Fair to Slow	Fair to Slow
South Dakota	Sioux Falls	Slow to Fair	Fair to Good
Texas	Austin	Fair to Slow	Good to Slow
Washington	Bellingham		Fair to Slow
	Spokane		Slow to Fair
West Virginia	Bluefield	Slow to Fair	
	Parkersburg	Slow to Fair	

"this month's collection letter"

My dear Mr. King:

There is a poem by Tennyson called "The Brook," and toward the end it reads something like this:

"Men may come
And men may go,
But I go on forever."

Of course, Mr. King, you can't expect us to be like the brook, and go on forever writing letters to you about this little past due account.

Fortunately however, there is a way to avoid any more letter writing, and at the same time make us both happy, and here it is:

Send us your check
And then you will be
Both cheerful and happy
And so will we.

Cordially yours,

SUPPLEE-BIDDLE HARDWARE COMPANY,
Harry C. Barnes, Asst. Treas.

P. S.—Please make the check for \$25.00

We present our twelfth "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

■ We believe that the letter reproduced above is an outstanding example of a quality which is too often lacking in collection correspondence: good humor and cheerfulness. The letter is written with the definite purpose of putting the delinquent debtor in a pleasant frame of mind. Wit saves many an unpleasant situation in social and in political life where intimidation or veiled insults have been used unsuccessfully. The same principle holds good in business intercourse and particularly in the province of collection letter writing.

Not only is the appeal of the letter

psychologically correct, but the form is good from a psychological point of view also. The combination of long and short paragraphs makes a pattern which is pleasing to the eye.

Mr. Harry C. Barnes, Assistant Treasurer of the Supplee-Biddle Hardware Company, Philadelphia, who has contributed this letter, makes the following analysis of its appeal:

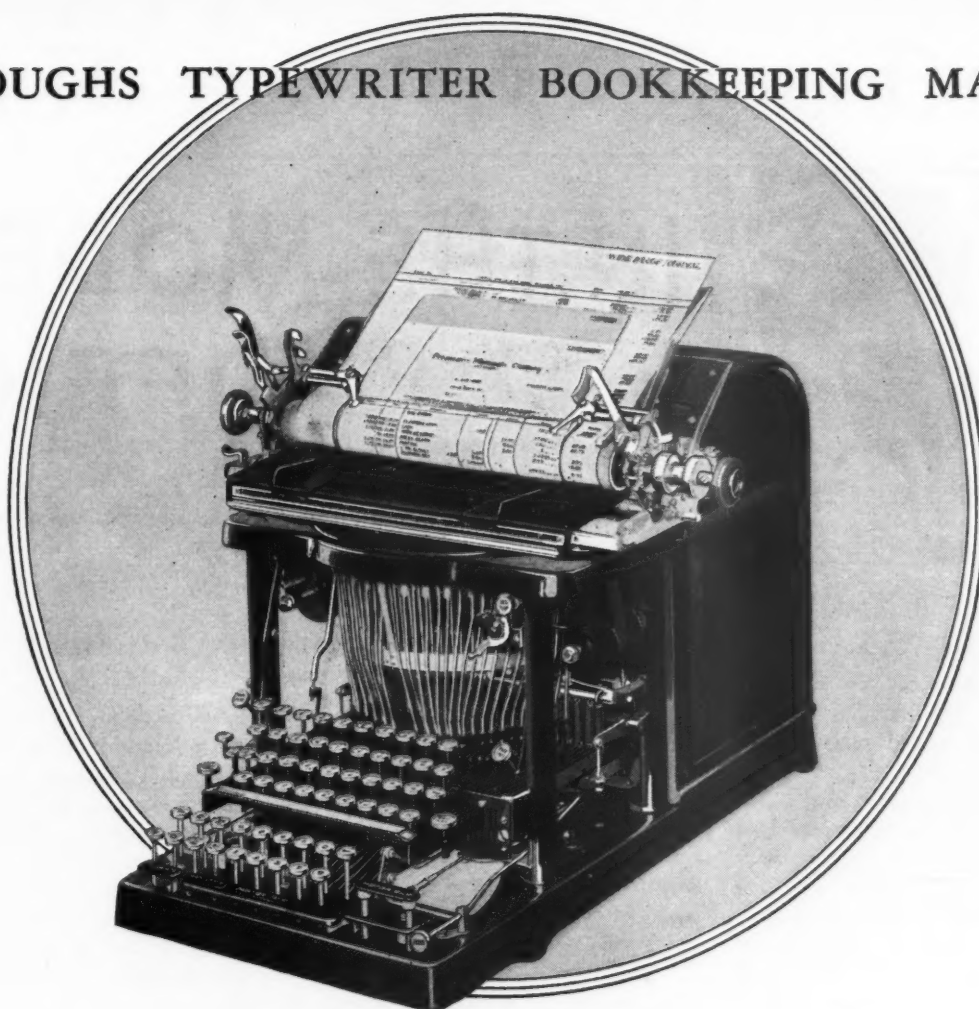
"A letter of the type enclosed has brought remittances on a certain class of accounts, after regular collection letters have proved ineffective.

"It is short, and the spirit of good will manifested shows the credit man to be a regular fellow and entitled to attention.

"The postscript is an apparent afterthought, naming the amount due which has been already itemized in previous letters."

CREDIT and FINANCIAL MANAGEMENT AUGUST, 1931

BURROUGHS TYPEWRITER BOOKKEEPING MACHINE



Speed \ \ Ease \ \ Economy
in the production of neater
and more accurate records

Simple operation with many automatic features ... the posting of ledger, statement and full width journal (or any other combination of records) at one time ... the fast, easily operated keyboard in a position convenient to the operator ... all make for greater speed and ease in the production of neater, more accurate records with the Burroughs Typewriter Bookkeeping Machine.

It is built for handling such jobs as accounts

receivable or payable, general ledger, distribution, payroll, stock records and similar work. It is available in a variety of models to meet individual requirements ... and for distribution to any number of classifications up to twenty.

For complete information or a demonstration, call the local Burroughs office or write to the Burroughs Adding Machine Company, 6248 Second Boulevard, Detroit, Michigan.

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When writing to advertisers please mention Credit & Financial Management



IN THE MODERN OFFICE

An idea and experience exchange on equipment, system and management in the modern credit and business office.

Fresh, Clean Air—Without Noise

The disrupting effect of noise on the efficiency of workers has received considerable attention in recent years. The noise and clatter of an office, added to the outside traffic din which comes through open windows are held responsible for lowered output, lessened efficiency and higher overhead costs. Commissions have been appointed in large cities to work for the general abatement of noise since it is believed that the din of metropolitan life tends to lower general health.

No matter how conscientious such a commission is, there is an irreducible minimum of noise which cannot be abated. Every executive knows how difficult it is to telephone with wide open windows. Every executive has, at some time or other, cursed the fact that, to have air, it was necessary to have noise and dust.



The "Mountainaire" Ventilator

Now, noiseless, dustless air is available for offices with the Burgess "Mountainaire", a compact, attractive ventilating unit occupying only 10 x 24 inches of space.

All windows can be kept tightly shut yet the "Mountainaire", which operates from any electric light socket, supplies the room with an abundance of fresh, filtered, outdoor air. Noise, dust and pollen are removed from the air. The volume of air and its direction can be controlled by the user. There are no drafts at any time.

"Mountainaire" does not interfere with opening or closing windows. It is portable and installation does not mar the woodwork or walls of buildings. It may be had in a finish to match any color scheme. While sufficiently attractive in appearance for the most costly executive suites, this ventilating unit can be completely installed for a price that is most moderate.

Tough Fibre Folders

Shaw-Walker Company has just brought out a new line of low-priced Kraft folders. Made of selected Northern Spruce Kraft Stock. Possess, to a high degree, the essentials of satisfactory folders—strength of fiber, resistance to tear, stiffness, and smooth surface.

The new folders are intended to meet the need for a low-priced folder which will stand erect in the file, has a smooth hard surface, will not dry out and crumble with age, with tabs which will not break off in the file. Two sizes and three weights are available in standard or special cuts.

Handy Hand Sealer

The Junior Standard Envelope Sealer is inexpensive, speedy and does a good job. Very useful for moderate volume of mail. Moistens all sizes and shapes of envelopes. Non-automatic. Vacuum suction-feed principle. Small in size but well balanced. Low in price. No adjustments, cleanings or replacement of parts necessary. Excellent auxiliary sealing aid, especially for envelopes with non-standard, hard-to-seal flaps.

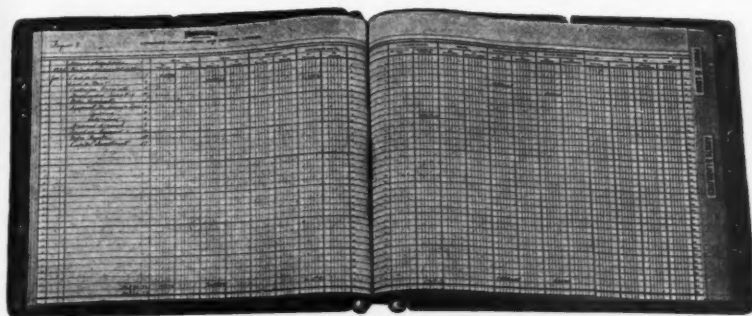
For Large Check Users

National Cash Register's electric check writing and signing machine writes amount of check; prints date on check; prints serial number on check; signs check; adds and distributes the amounts of each check into one, two or three totals at one time (27 classified totals may be obtained), prints check record form showing amount and serial number of each check in consecutive order, also descriptive symbol of totals affected; counts number of checks written and adds in each classified total; makes carbon copy of checks for reference, if desired. Feed is automatic, amount is written in acid proof ink. Check sorter, used in conjunction with machine, cuts sheets of five checks, sorts them into correct numerical order in single operation. Machine offers rapid production and good safety features. Two authorized persons must be at machine before it can be operated, one for machine lock and one for signature lock. Separate auditor's locks for separate totalizers. An efficient mechanical method for safely producing large quantities of checks.

YOUR RECORDS THE HEART OF YOUR BUSINESS

Faultless Bookkeeping Systems meet as no other the need for simple, practical, compact, and comparatively inexpensive business control records.

Faultless Bookkeeping is the ideal accounting system for the small or medium size business because it enables the merchant or manufacturer to know in a few moments his exact financial standing from day to day.



With Faultless Bookkeeping the following accurate knowledge can be easily and quickly obtained.

1. Amount of merchandise bought and sold to date.
2. Amount owed by customer.
3. Each item of expense.
4. Profit for any period of time.
5. Profits from discount.
6. Correct figures for fire loss adjustments.
7. Correct figures for income tax reports.
8. Correct records for government inspector's audit.

Faultless Bookkeeping combines all necessary control records in one book. It combines the cash book, the journal, the check register and bank statement and the general ledger with complete expense distribution, giving the most complete and comprehensive record of every transaction in the daily routine of business.

With Faultless Bookkeeping the user will not only have the necessary information for income tax statements but can at any time render statements of assets and liabilities and profit and loss on forms provided for that purpose.

THE FAULTLESS MANUAL

This manual makes Faultless Bookkeeping a practical, workable, system, and removes it from the set of books' class.

The Faultless Manual is a complete text and guide to double entry bookkeeping under the Faultless plan.

It is full of illustrations and examples to simplify the keeping of necessary business records.



The Faultless Bookkeeping Manual is an accurate guide to the keeping of accurate business records in the simplest, most complete and easily understandable form.

It includes complete instructions in the preparation of a profit and loss statement to show the profit or loss from each month's business.

It also shows the proper preparation of a complete financial statement showing the increase or decrease in net worth or capital investment.

It shows accurately the proper preparation of an income tax return.

The Faultless line covers every record keeping need.

Flexi-Post Binders for all current records, Automatic Shift Visible Record equipment, Machine Posting equipment.

Submit your record keeping problems for analysis and recommendations which will be made without expense or obligation.



Control Records Designed For Any Line Of Business

STATIONERS LOOSE LEAF COMPANY

BRANCH
CHICAGO, ILL.

524 NORTH BROADWAY
MILWAUKEE, WISCONSIN

BRANCH
NEW YORK, N. Y.

Henry H. Heimann executive manager

(Continued from page 7)

Association, Mr. Heimann occupied the position of vice-president in charge of sales, credit and finance. He was also a director of numerous other enterprises.

For many years, Mr. Heimann has been recognized as one of the nation's leading exponents of the significance and importance of credit as the great underlying factor in modern life and business. He is an ardent believer in the fact that civilization advances only as fast as credit technique and development advance. He believes that the shifting scenes of business and the growing complexity of commercial transactions place the Association in a stronger position than it has ever before occupied as a powerful factor in maintaining a sound and stabilized business structure.

Mr. Heimann brings to his new position a breadth of vision and a scope of thinking that presage an outstanding administration for the Association.

An excellent educational and economic background correlated with years of successful experience in the business and banking fields; a comprehensive and understanding insight into the affairs of the National Association and Credit Men; a man both of broad administrative and specific analytical abilities; a man of action and of progress; a personality that is both friendly and dynamic; a diplomat and conciliator of unusual merit; a man who believes in the supreme importance of credit—that is the man who will become executive manager of the National Association of Credit Men on September 1, 1931.

the business thermometer

(Continued from page 9)

tion wages, and bulk emigration. We have also been unwilling to take the radical action necessary to find suitable substitutes for what we have discarded, and we have obstinately refused to see these problems as a whole. Housing, town-planning, roads, transport, agriculture, electricity, derelict areas, sheltered and unsheltered wages, trade-union regulations, education, social and health services, migration, rationalization of industries, tariffs, import boards, monetary policy, the reform of the machinery of local and central government—all these are closely inter-related, and must be thought of and planned for together.

National planning shades off into imperial planning, and many of our major problems, and in a special degree our monetary problems, can be approached only on the basis of international co-operation.

"Fascism and Bolshevism have two aspects in common. Both appear to have flouted the claims of the individual to personal and political freedom. Both have stressed the necessity of ordered planning on a national scale. Until recently, any advocate of planning ran the risk of being howled down as an enemy of liberty. We do right to cling fast to traditions of freedom, but there is no surer way of losing both liberty and prosperity than to drift hopelessly and to refuse to accept that ordered co-operative planning which alone can regain for us control over the machinery on which our political and social and economic life depend. Freedom is always organized freedom, not license. Where should we be if we refused to allow pointsmen to help us to regulate motor traffic in our streets and roads because they interfered with our freedom? An inefficient business man is as much a danger to his fellow industrialists as a bad motor driver is to his fellow motorists. Ordered planning does indeed involve a discarding of certain of our individualist prejudices, but why should we doubt that it can be pursued without departure from traditions of personal and political liberty? The truth is surely just the opposite of these fears.

"Today, in spite of a great fund of good will, we find our wills frustrated in every direction owing to sheer inability to free ourselves from the toils of the machine of which we have lost control. It is because of the urgent need to liberate the individual and enable him to exercise that spontaneous initiative which alone can build up the structure of society that the call goes out to all good citizens to join in thinking out, planning and putting into operation a reform of our political and economic life."

industrial mobilization

(Continued from page 12)

and the consequent necessity for a more complete coordination of effort.

The continuing trend of business to align itself into associations according to function or product is an encouraging sign.

To set up the necessary administrative machinery and to exercise the con-

trols indicated, specific authorization will have to be granted by Congress. Drafts of bills whose enactment into law would be necessary are kept on hand in my office for prompt presentation to Congress in an emergency. The sufficiency and appropriateness of these bills are insured through periodic conferences with all interested agencies, including various committees of Congress.

I need scarcely say that the program we have laid out for ourselves is far from completion. Nevertheless, with the aid of hundreds of our citizens, among whom are many members of this distinguished association, progress is being made. We welcome your criticisms and suggestions. In this way we feel that our plans will be kept up to date, and in complete harmony with developments in the industrial world.

In conclusion I wish to touch briefly upon one or two particular aspects of industrial planning. The performance of this work indicates no desire for, nor any expectancy of war. It is simply the setting of our house in order for a catastrophe that we hope will never overtake us—but which, if it does, will demand speedy and efficient action on our part to avoid disaster. This activity has no tendency to make a people "war-minded." One of its purposes is to make every individual share proportionately in the economic losses of war and to prevent any type of profiteering. A thorough understanding of the sacrifices war would demand from each of us should impel us away from, rather than toward war. It is important to note also that this type of planning demands very little expenditure from public funds. The factories, the farms, the transportation systems, the power lines, and the financial institutions that would have to contribute toward meeting our war needs, exist today. What is demanded is thought—study—and cooperative effort.

Mr. Baruch has expressed the belief that had we had at the beginning of the last war a sound, workable, and comprehensive scheme to control these matters, our war debt would have probably been cut about fifty per cent. As we consider the general effect on present conditions in our country, if we had saved some ten to fifteen billion dollars of our expenditures in the late war—we are encouraged to intensify our efforts to insure efficient conduct of any possible "next emergency."

facts: the chief factor

(Continued from page 15)

cient accounting methods. There is no other field in which business leadership of the nation can more convincingly demonstrate its right to command than this one of ruthless campaigning against the waste of preventable bankruptcy, especially among the "little fellows." The most helpful contribution that can possibly be made right now to "big business" is a prompt stimulation of the operations of "little business."

Unfortunately, bankruptcies are by no means confined to depression years. In number and liabilities they increased in 1929 over the previous year at just about the same rate as in 1930 over 1929. And the rate of growth in the latter period was actually far smaller than that of 1928 over 1927. Analysis of hundreds of cases of such catastrophes prove convincingly that the major cause is unscientific operation rather than the pressure of competition.

In the last analysis the betterment of business rests primarily with business itself, though much can be done to assist it by providing abundant statistical and other information as to the actual status of its affairs. The analysis and widespread dissemination of facts as to the precise reasons for success, notably in the field of retailing, should be immensely valuable as an accelerator to earlier recovery. The recent census has revealed much valuable material on the affairs of over one and one-half million retailers in the nation. Tens of thousands of these are sorely in need of factual guidance and information. Their quota to the appalling totals of bankrupts can be immeasurably curtailed by effective collaboration on the part of their more successful associates in business—collaboration as to the betterment of credit methods, the training of sales personnel, improvement of store planning, and a host of other factors which by actual survey have been proven to yield almost dramatic results in the enlargement of profits.

balance politics and business

(Continued from page 17)

being tremendously influenced by laws enacted under the guise of "taxation" and by reason of trade restrictions and trade barriers, some of them erected against the protest of business, some of them erected at the demand of a section of business, but all of them, by whomsoever demanded, vitally advancing or retarding business, not only in

our own country, but throughout the world.

In view, therefore, of this unavoidable, inevitable and indispensable chord which binds together the interests of business and government, is it not an idle waste of time to be continually for political campaign purposes calling for a separation of their ties to the extent of an absolute divorce? While we can all agree on the position that government ought not to superimpose on business unnecessary burdens, restrictions or handicaps, and ought not to inject itself to any extent beyond the demands of public welfare and justice to all the people, which includes those in business as well as the rest of us, must we not at the same time realize that every obligation which we bear toward our fellowmen that is an enforceable obligation, whether in the strict field of business or elsewhere, is one which is imposed and is enforced by the agencies of government?

Without it organized society would collapse. Civilization would depart from the earth and we would hastily return to the conditions of paleolithic and neolithic man.

In as much as we must accept this development in the social and economic affairs of the nation, might we not spend our time more wisely in seeking to improve the relationship and accentuate the co-operation between them?

Therefore, when I ask the question, "Whose Business is Business," what is the reply? The superficial reply would be that "Business is the concern alone of those who are directly engaged in it, who are investing their money in it, and who are actively conducting it." But that is only a part of the answer. Business is not an end within itself. Neither is agriculture. Neither is industry. Neither is transportation. They are all means by which organized civilized society, all the people in all the walks of life, are seeking to solve the question of production, distribution and consumption of the necessities of life and also the comforts and luxuries. Business, like teaching and preaching, is an agency through which we seek to enjoy something of that life, liberty and the pursuit of happiness of which our Declaration of Independence speaks.

Therefore "Business" is the concern

(Continued from page 41)

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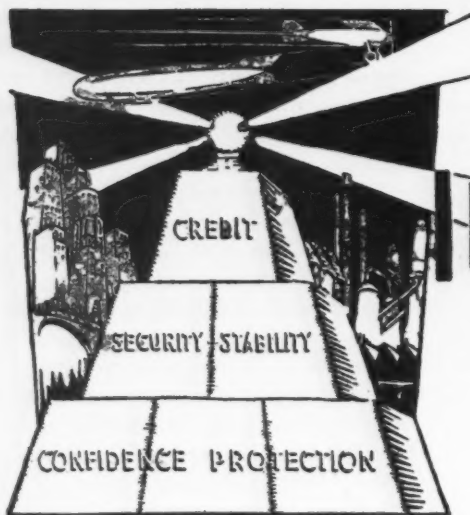
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INSURANCE DIGEST

Protecting the Retailer

A new form of burglary and robbery insurance has been recently announced. Carrying protection "from every form of modern criminal enterprise by violence and the strong arm" and even covering kidnapping "where the victim is taken back to the store to open the door of a safe," the new policy is described by the National Bureau of Casualty and Surety Underwriters as an "answer to the universal need of the small shopkeeper to obtain blanket coverage."

Because the new insurance will be issued at a flat premium charge, the cost will be a fraction of that previously assessed.

The new all-inclusive policy, covering both burglary and robbery, was prepared especially for small merchants in cities, towns and rural districts. It is known as the "store-keepers' burglary and robbery policy." Besides the clause which protects against "kidnapping" involving the compulsory opening of a safe by the victim, other sections of the policy apply to hold-ups, either in a store or in the street; robbery in the home "covered with respect to money and securities used in the business"; burglary from a bank's night depository, property damage due to or caused by burglary or robbery, and safe and open-stock burglaries.

The new policy, it was announced, follows the trend in insurance and "is free from exclusions and offers 'continuity insurance,' by which is meant that full protection is afforded for the policy term without additional premium charges, no matter how many bonafide robberies there may have been during that term." The rates vary according to the territory, the highest, \$50 for a \$1,750 policy, being applicable to Chi-

cago and Cook and Lake Counties, Ill., and in Detroit and Wayne County, Mich. The rate for the Bronx, Queens and New York Counties is \$35, the same as for communities in Florida, Minnesota and Nebraska.

The policies will be issued for a total liability of \$1,750, divided into seven indemnity paragraphs, each affording \$250 coverage.

Have You Thought About Sprinkler Leakage?

A policy issued as indemnity against loss or damage by fire, also covers any loss or damage caused by water used in extinguishing the fire, including water discharge from an automatic sprinkler system. However, if any leakage or discharge of water from an automatic sprinkler system occurs as a result of the accidental opening of a sprinkler head, the freezing or breaking of a pipe, or the falling of a tank connected with the sprinkler system, the loss is not covered by the fire policy and falls directly upon the owner.

Some of the causes of sprinkler leakage accidents are as follows:

1. Breaking of pipes due to vibration of building.
2. Aeroplane hazard.
3. Dropping of heavy weights on floors.
4. Improper cutting and threading of pipes or imperfect hangers.

5. Freezing, causing the breaking of sprinklers and pipes, valves, tanks, etc.

6. Damage to buildings or contents due to discharge of water from the collapse or falling of tank.

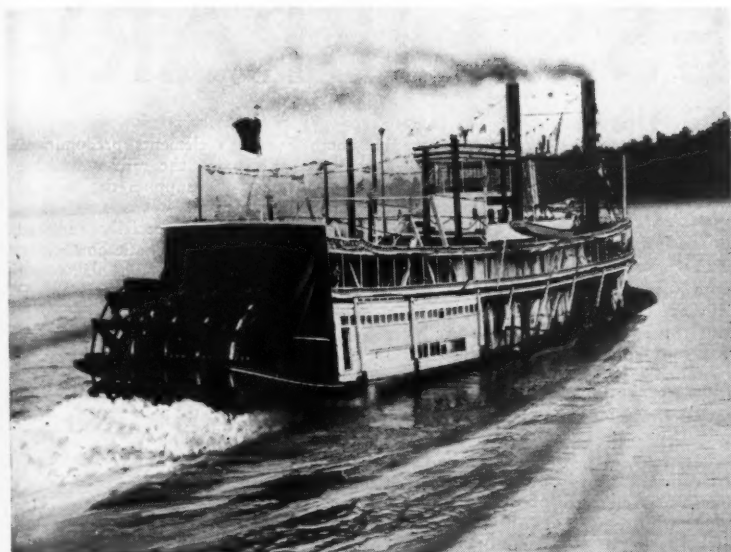
Sprinkler heads manufactured by nearly all sprinkler companies today are tested under 300 pounds pressure before leaving the factory. They are so constructed that the links, struts and valve feet will fly apart and leave a free opening for the water when the fusible solder melts. But the same effect may be produced by accidentally striking the heads, or by the granulation or crystallization of the solder or the presence of certain acids or alkalies.

Parts of many buildings are exposed so that water in sprinkler pipes may freeze when unusually cold weather prevails. This may cause the whole system to freeze up and ultimately burst.

If a building is constructed under the supervision of an architect who understands his business and a proper foundation is built to carry the weight of a sprinkler tank full of water, and if the tank be supported on four brick walls or on a suitably arranged steel structure, there is little danger of a tank disaster, but unfortunately, a large number of buildings now equipped with sprinklers were not built to carry the weight of a sprinkler tank; consequently many tanks are supported on improved bases on the corner walls, on brick, steel or even wooden structures, and subject to a tremendous wind strain.

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

a traveling debtor



■ It sometimes happens that a Collection Manager faces the difficulty of collecting money from a debtor who will not stay put.

A Manager in one of our border states of the old South had several claims against a boat carrying freight on an irregular schedule over the full length of a navigable inland river.

During the course of the pursuit of these elusive accounts receivable the name of the boat was changed.

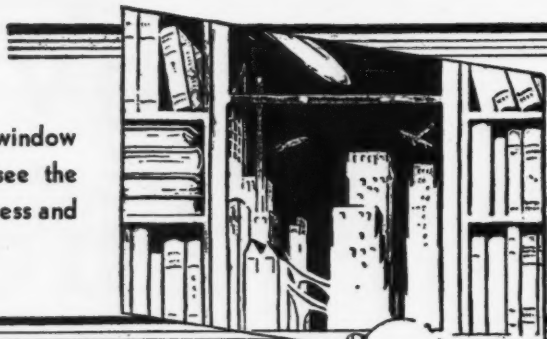
For a time when work was slack it tied up at dock in a distant city.

Proceedings under the Admiralty Law were brought in a United States District Court and after months of persistent effort the claims were paid in full. This Collection Manager was wide awake, aggressive and intelligent.

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Conducted by
Frank A. Fall, Litt. D.
Director of Research
N. A. C. M.

THE BUSINESS LIBRARY

Below the Equator

SOUTH AMERICA. Clarence F. Jones. Henry Holt & Co., N. Y. 1930. 798 pp. \$6.00.

This is the third and most comprehensive treatise on South America from the pen of Professor Clarence F. Jones of Clark University. The preceding works were "Commerce of South America" and "Agricultural Regions of South America."

While this is essentially a detailed and statistically supported description of present conditions in the various countries of South America, it does not neglect the pageant of events which has made the history of the continent so glamorous and so intriguing to many North Americans.

The reader sees Balboa as he struggles heroically to cross the isthmus on his way to the discovery of a great ocean. Pizarro rides to his ruthless conquest of the vast and highly developed Inca Empire. The Paulistas march on their Indian slave-hunting expeditions, giving first Portugal and then Brazil nearly half the continent. Spanish galleons sail the Caribbean. Drake, Hawkins and Black Beard dart in and out of the protected island havens, snatching treasure ships from the Spanish fleet. And finally Lindbergh glides over sea, mountain and plain in his epoch-making flight, helping to introduce air-mail and passenger service to every political division of the continent.

South America has an area of about 7,200,000 square miles, as compared with 3,900,000 for Europe, 9,400,000 for North America, 11,600,000 for Africa and 17,200,000 for Asia. Its density of population is only 10.41, as compared with 15.42 for North America, 52.3 for Asia and 119.23 for Europe. With the single exception of Australasia, whose density of population is 2.78, South America offers the greatest opportunity of all the continents of the world for colonization and industrial and agricultural expansion.

In the author's opinion, while portions of the continent have great possibilities for development, other areas are burdened by tremendous handicaps and will probably not stage any remarkable advance for a long time, if ever. The hot, humid lowlands do not possess a single factor of those that have favored the advance of human settlement during the past centuries. They lack favorable climatic conditions, a coal supply, mineral resources and an energetic population.

However, the continent has several areas that are more promising. These include particularly the temperate plains, the subtropical plateaus and the subtropical portions of the Cordillera. Of these the largest single area, the southeastern part of the continent, holds 70 per cent of the population and 90 per cent of the people

THIS MONTH'S BUSINESS BOOK

HOW'S BUSINESS? Merle Thorpe. Harper & Brothers, N. Y. 1931. 202 pp. \$2.50.

In the editorial columns of *Nation's Business* and through his radio broadcasts Merle Thorpe has one of the most important pulpits in the United States. The circulation of his publication is known, but nobody knows for a certainty how large his radio audience is. It is, however, safe to assume that it is sizeable, and constantly growing.

How's Business is based on Mr. Thorpe's editorials, his radio talks and his public addresses. There are 53 chapters, packed full of shrewd common sense, discrimination and good humor. Thorpe knows business from A to Z, and his comments on its various principles and problems are well worth the thoughtful study of the general reader as well as those who are actively engaged in business.

In Chapter 14, "Danger! Men at Work" Mr. Thorpe explodes the widely accepted theory that in 1930 American business went all to pieces. That much maligned year, he says, loaded and unloaded 45,800,000 freight cars, and with 3,000,000 auto trucks on the job, too. It made and sold a new automobile for each ten families at a cost of \$2,159,600,000 and saw registrations highest of any year, with a gasoline consumption of 399,000,000 barrels, an all-time record. It saw electrical production hit its highest mark.

One would think, Mr. Thorpe continues, from the wailing, that we had all been wiped out by a terrible catastrophe of nature—a Noah's flood, a shifting of the Gulf Stream, or a dreadful holocaust. Yet we are all here. Stores are still open. Trains are running. You can get that number on the telephone. And Amos 'n' Andy are still in the taxicab business.

Chapter 27, "There Ought to Be a Law," should be read by every legislator in the country, and re-read at frequent intervals. Merle Thorpe is at his best when he is defending business against foolish legislation. No one knows better than he the futility of trying to solve every business problem by enacting a new law. And no one is doing more to stem the tide of half-baked legislation which threatens to engulf business and strangle it completely.

The importance of team-work crops up frequently in this book. "The work of the world today is being done by groups," says Mr. Thorpe, and to emphasize the idea he prints the entire sentence in capitals. Selfish and suspicious members of a community or a trade are "mavericks." Certain wastes are group wastes and can be eliminated only by a group program and group action. This is good doctrine for members of the National Association of Credit Men, or any other business organization. In stressing it, Merle Thorpe shows again how clearly he sees the business picture, and how wisely he interprets it.

in whom European elements predominate. It has 78 per cent of the railway mileage of the continent and supplies the bulk of the export movement.

This area and other specially endowed districts with favorable climatic conditions, vast tracts of untilled fertile plains and plateaus, a variety of resources, a vigorous population and the power to attract European immigrants in large numbers, stand on the threshold of a great development. With peaceful conditions, foreign capital and man-power, demand for their produce in foreign markets and the desire of their people to rise in the scale of civilization, these areas seem destined to make a tremendous advance.

In the Caribbean

CARIBBEAN BACKGROUNDS AND PROSPECTS. Chester Lloyd Jones. D. Appleton and Co. N. Y. 1931. 354 pp. \$4.00.

This book represents another invasion of southern lands and waters by the Jones family. The author is professor of economics and political science in the University of Wisconsin, and has already established a reputation, by his book, "Caribbean Interests of the United States," as an authority on affairs in the quadrilateral bounded roughly by the Guianas, Panama, Guatemala and the Bahamas.

Dr. Jones shows how steady and spectacular has been the economic progress of this region. In little more than a generation the Caribbean territory has re-established its position as the world's chief source of supply for cane sugar, become the dominant factor in the trade in tropical fruits, taken first place in supplying the export market for petroleum, and risen to second rank among regions supplying the coffee trade.

Caribbean enterprises have become an important investment field for foreign capital and the governments have become active borrowers of money with which to finance public improvements. Developments such as these obviously have a far-reaching influence on political and social as well as economic conditions.

After an introductory chapter and a discussion of certain racial factors, health problems and education, Dr. Jones takes up the most important commodities—sugar, coffee, fruit and petroleum. He then deals with such topics as diversification of products, trade with United States and other countries, public loans and foreign investments.

In regard to the future, Dr. Jones believes that the influence of the growth of a broader, sounder basis for the national life of the Caribbean States will soon reach beyond their purely domestic concerns to their relations with the outside world. Their political independence in interna-

tional relations they may guarantee by winning greater economic and political independence and stability in their domestic concerns.

As these standards come into existence, not only will the attitude of the governments toward their international affairs be changed. The position of other nations, including that of the United States, more important for most of them than any other factor in their international relations, will be modified. The already great commercial interchanges will reach new heights. The investment of foreign capital for development of local resources will increase.

In view of the large amounts of American capital now invested in the Caribbean and the number of manufacturing and exporting concerns that are interested, the publication of this book is most timely. The volume will be widely read, and for many business concerns it will prove to be an indispensable handbook.

balance politics and business

(Continued from page 37)

of all the people for they all contribute to its success, they all depend on it for their success, and without it all the processes of civilization would perish. In all the vicissitudes which have accompanied the rise of man from barbarism to the heights of liberty and power, "Business" has been, next to religion and education, the great civilizer of the ages.

We see evidence of what I am trying to emphasize all around us in the distress which has come to our people because of what we are pleased to call a "recession" or a "depression" or a "debacle" in the business of our country and to some extent of other portions of the world. And this distress has been and is being reflected in the political reactions of the people in every country where the situation has been acute. Unless we can profit by our present experience, unless we can capitalize for the future the deplorable conditions through which we are passing, and in some fashion guarantee our people against similar recurrences in the future, then both business and statecraft will write themselves down as morally and intellectually bankrupt.

I do not wish to add insult to injury, or to consume time unnecessarily by a repetition of the intolerable phases of our present economic situation. But there are some elements of it which are incapable of concealment, and which are thoroughly understandable because inescapable, and which must be taken into account by both business and government in the effort of either or both to find a remedy, if one is to be found.

Millions of men in our own country and in the countries of Western Europe, who two or three years ago were happily and gainfully employed, are today without jobs. Many men of careful ob-

servation fear that the bread lines next winter may be longer than those of last winter. Personally I trust their fears are without reasonable foundation.

Prices at which great staple commodities like wheat, corn, cotton and many others are being sold are substantially below the cost of producing them. Not only are workmen uneasy about their jobs and about the prospects for those now unemployed, but farmers are unable to pay their debts or to meet interest charges on farm mortgages, merchants are interested in whether their obligations to banks may be met or deferred. Investors are doubtful of the continuance of dividends. Banks are restricting loans to the shortest terms and the safest security, and the whole business community finds itself travelling in the sluggish snail-pace of inactivity.

In the midst of this situation, which is more intense and more aggravated than ever existed in this country before, men and women everywhere, many of whom never before found themselves concerned with economics or business, are asking whether our economic foundations are sound; whether our methods of business, our fundamental system, our business and governmental relationships and mutual obligations have been wisely and justly administered.

In a recent notable address, Dr. Harry Emerson Fosdick, well known pulpit orator and minister of the city of New York, had this to say: "Our whole capitalistic society is on trial; for obviously there is something the matter with the operation of a system that over the western world leaves millions of people out of work who want work, and millions more in the sinister shade of poverty."

Mr. Daniel Willard, president of the Baltimore and Ohio Railroad, for whom I have a profound and an abiding respect, in an able discussion in a recent magazine article which he wrote, and which all business men might do well to read and ponder, after declaring his belief in the superiority of the capitalistic system over all other systems yet devised as affording a better basis and a sounder structure for the foundation of the peoples' welfare, nevertheless stated that "a system under which it is possible for five or six millions of willing and able-bodied men to be out of work cannot be said to be perfect or even satisfactory."

CREDIT and FINANCIAL MANAGEMENT AUGUST, 1931

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C.M. OVER SIXTY-EIGHT YEARS IN BUSINESS

Stuart Chase, who has had much to say recently about "Man and the Machine Age" and about unemployment as the "Nemesis of American Business," and who in the current number of one of the magazines of constructive comment writes about a "Ten Year Plan for American Business," has filled pages describing the unprecedented and inexcusable conditions which face us and a portion of the world.

Dean Wallace B. Donham, of the Harvard Graduate School of Business Administration, has recently written a book "Business Adrift," in which he takes the position that business is where it is because of its own shortsightedness and lack of any constructive plan for the future, or collectively, for the present. He contends that business not only is adrift, but has been adrift in the past, and that so long as the business world remains adrift we may continue to expect experiences like that we now face. He urges foresight on the part of business men, and charges them largely with the responsibility of foreseeing and adopting a remedy or a preventive for the future with reference especially to

the question of unemployment and surplus production.

In a strikingly impressive preface to Dr. Donham's book, Professor Albert N. Whitehead, also of Harvard, says: "Mankind is now in one of its rare moods of shifting its outlook. The mere compulsion of tradition has lost its force. Either we must succeed in providing a rational co-ordination of impulses and thoughts, or for centuries civilization will sink into a mere welter of minor excitements. We must produce a great age, or see the collapse of the upward striving of our race."

I do not know that I share fully the gloomy forebodings contained in this quotation, but the fact that great thinkers and scholars and great business executives are devoting their best efforts to a description of our present evils and a desire to guard against their recurrence in the future, and that men in public life are groping through the fogs in an effort to find the light, offers hope and encouragement.

But not only in the field of economic life do we find uncertainty. The foundations alike of our political systems are being resurveyed, thus giving additional proof of the inseparable, though sometimes invisible, connection between economics and politics, between government and business.

The value and efficacy of democracy are being questioned in many parts of the world. In Italy, Russia, Poland, Turkey and Yugoslavia dictatorships have been set up and are still in operation, some of them boastfully, while elsewhere the forms of democracy conceal but vaguely the dictatorships that lie beneath them.

We have been witnessing in recent months one revolution after another in South America. They have been interesting side-lights on the development of the connection between the policies of government and the business and economic life of the respective peoples. For these revolutions have not been political. They have not grown out of purely political exigencies. They have all had an economic foundation. They have been founded in discontent among the people over the conditions of life under which they exist, which is after all more economic than political.

Because of this inevitable, if involuntary, linking of the two great factors of economics and politics, both in fact and in the public mind of the world, it is not strange that we see in various parts of the world the collapse of the under-pinnings of government, and it

is entirely possible that the present governments in other countries than those I have mentioned would fall, if anybody else desired to assume their control under present conditions.

In addition to and in spite of the economic conditions which exist abroad, we see Europe gradually dividing into two camps, one committed to a revision of the Treaty of Versailles, and the other demanding the status quo. In spite of the peace treaties which have pretended to reduce the burdens of armament and to renounce war as an instrument of national policy, we find that the nations of Europe are spending 70 per cent more for armaments than they were spending one year before the beginning of the World War; and we find all of them, including our own United States of America, erecting still higher and higher the artificial and insurmountable barriers which unreasonably restrict trade, foster friction and ill will, impoverish millions of men and women whose welfare rests upon the production, distribution and consumption of the commodities that flow in international commerce, and make more difficult and evasive the recovery of a sick world.

Not only do we find this cloud of pessimism in the fields of economics and of politics, but we feel its damp and corroding influence in the precincts of religion. We are being told on every hand that the human race must find a new conception of the relationship between Man and his Maker and a new basis for worship. Committees and commissions are not only being formed without number to ascertain what is the matter with us economically and politically, but also to ascertain what has gone wrong with the foundations of faith upon which our nation and our civilization were built.

Bruce Barton, one of the fine examples of devoted and earnest believers in religion, writes an interesting book on "What can a man believe?" Dr. Charles A. Beard wants to know "Whither Mankind," and others equally well equipped and equally earnest are asking all manner of questions, but very few of them are being answered to our satisfaction by those who propound them or others who claim the right to be heard.

But in the midst of the welter of confusion, ignorance and uncertainty, we are learning a few important things by experience. We are learning that

this thing we call "Business" in one form or another has been digging at the world until it has circled it with pipes, rails, cables, wires and utilized the invisible currents of the air to bring all sections of this globe into a fuller knowledge and appreciation of any other. We have learned that the economic, political and social threads of the world are so entangled that a shot fired in Serbia, taking the life of a more or less inconsequential Arch-Duke, brought a train of evils upon the world from which it will suffer for many generations.

We have learned that the collapse of the textile industry in England has brought poverty to many thousands of cotton growers in America.

We know that the substitution of cheaper and less desirable qualities of tobacco in Italy and other European countries has had an unfavorable influence on the production of that product in America.

Whether it preceded or followed the course of business, we know that the sudden and perpendicular descent of the stock market in New York brought its unfavorable repercussions throughout the world.

We know that the debasement of silver in India has brought untold hardship in China and to a lesser extent in Japan.

We know that the resumption of her leadership in the production of wheat by Russia has been a blow to the farmers of Canada and our own Northwest.

We know that because the vaults of our own Treasury and those of the Bank of France hold most of the world's supply of gold other nations are unable to expand their credit in order properly to finance their domestic and foreign trade activities.

We know that individuals cannot sever their relations with the rest of mankind and survive; and we are learning that nations, which are but collections of individuals, cannot sever their relations with the rest of the world, either politically or commercially, without suffering the inevitable penalties of isolation and self-deception.

We are being told that the present depression, the widespread unemployment and suffering, the lack of markets for our products, has been brought about by "world conditions", over which we had no control. But, may we not ask, who made those world condi-

tions? We in America are an important part of the world, and, if Russia is excluded, which at present is a law unto herself, we are the largest single unit both politically and economically. Can we assert with confidence and regard for the truth that we are entirely guiltless of any contribution to these so-called "world conditions" from which we are said to be suffering?

I leave you to answer that question according to your own notions. But in my opinion we have made our contribution to that situation and in some respects we have led the way.

What are we to say about the wisdom of a policy which bars from our shores 20 million dollars worth of laces and watches and at the same time destroys 45 million dollars worth of American trade with Switzerland?

What are we to say about the economic or political wisdom of a policy which threatens to close Canadian doors to a billion dollars worth of American products in order to close our doors to half that amount of hers?

What are we to say about the wisdom of a policy which demands from our debtor nations full payment over a period of two generations and at the same time destroys their ability to pay?

What shall we say about the wisdom of expending three billion dollars in the construction of an American merchant marine, and other millions in the employment and maintenance of commercial agents in every country with which we are on friendly relations, if this fleet is to remain idle in our ports for lack of cargoes and these commercial agents are to spend their time trying to persuade foreign nations to buy from us notwithstanding the fact that we will buy nothing from them?

I realize that this sort of discussion but narrowly escapes trespassing upon the sacred preserves of partisan politics, a pastime in which I do not wish here to indulge. But far and away beyond its political aspects it is fundamentally an economic problem, and its discussion and its wise and proper solution must have an inseparable relationship to the business of the world, to the business of each nation in the world, and to the prosperity and happiness of millions of men, women and children who know little about the selfish and technical theories of either politics or business, but who know they are entitled to a square deal and are not receiving it.

If anybody doubts the relationship of world trade to domestic prosperity and happiness let him examine the report of Dr. Julius Klein, Assistant Secretary of Commerce, for the year 1930. It shows that the export trade of the United States declined \$1,500,000,000 in a single year. What does it represent in unemployed labor? What does it represent in unprofitable investment? What does it represent in depreciation of industrial plants? What does it represent in "frozen" agricultural products? What does it represent in all the elements that contribute to national well-being?

Now, if this deplorable situation has been brought about by "world conditions" what steps are being taken by American business or by American statesmanship to make less rigorous those world conditions? To what extent are we willing or have we offered to co-operate with the other distressed nations in order to find a way out of this morass?

And if this loss of our trade and the consequent loss of employment and profits has been caused or intensified by any domestic policy of our own, then what steps are being taken to remove the causes or alleviate the conditions which have produced or accentuated the situation?

In fairness we cannot claim that all the five or six million men who are out of work have been brought to that status by the route to which I have referred. For a decade, and I might say for a generation, we have made a god of mass production and the inventive genius of our people. We have boasted of every device that substituted the machine for the labor of men. We have celebrated every achievement which made it possible for 25 men to do the work formerly done by 100 men, without thinking of the fate of the 75 who are displaced. Thus we have ourselves contributed unconsciously to what is known as technological unemployment which is more or less permanent. Now if organized society has been adequately advanced and improved and benefited by these new devices, if the condition of mankind has been elevated by the machine, a belief in which most of us indulge, then at least that same society must find a way by which those who are thus displaced may obtain decent work at decent wages in order that they may maintain a decent standard of living.

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Whether the solution of this problem is a shorter week is something about which business and industry must give concern. For if we must decide between a condition which affords work all the time for three fourths of the people and a condition which affords work for all the people three fourths of the time, then I think we must choose the latter. Neither business nor politics can defend a system which permanently makes millions of our people objects of charity, nor can either business or politics defend their lack of foresight or preparation for such an emergency as that which we now face.

We cannot solve these problems by denunciation. We cannot solve them by putting men in jail merely because in their hunger and desperation they have grown excited.

We must solve these problems by a calm and deliberate consideration of their causes, in the spirit of readjustment and accommodation, and with the welfare of all the people constantly in view. Both business and government must bend all their energies to the laying of a groundwork of solid and substantial soundness and justice to the end that we shall not again enter such a period of despair, and that if in the nature of man's frailties we must again undergo such hardship and such losses we shall be in greater degree than ever before prepared to meet them.

It is a tribute to the conservatism, the patience and the patriotism of our people that we have gone through this period thus far without serious threat to the structure of our institutions. But we must not be thereby lulled into the belief that no amount of hardship, no amount of suffering, no amount of injustice can affect the safety of their foundations.

I believe that our system of government and our system of economics are the wisest and the best which have yet been devised by the brain and the courage of man. But in both we must admit there are serious defects. It is our problem to find them and to correct them. We can best hold back the invasion of our shores by destructive agencies and nostrums, not by destroying freedom of speech or freedom of the press, but by a careful and honest diagnosis of our own misconduct, our own shortcomings, our own contributions to the misery of our own country and of the world, and then by making a courageous effort to eliminate them from our system. In that effort we invite and urge the unselfish co-operation of business—and all the constructive forces of a virile and pro-

gressive nation. In that spirit we can solve our difficulties and remove them. Without that spirit our troubles will multiply and our children will rise up to damn us for failure.

turn-over and collect

(Continued from page 19)

A less efficient grocer might get less turn-overs at same expense.
11 turn-overs at \$2,500.

Gross sales	\$27,500
80% cost of goods	22,000
Mark-Up	\$ 5,500
Overhead	5,400

Net profit \$ 100
(2% on capital)

A better man does 16 turn-overs.
16 turn-overs at \$2,500.

Gross sales	\$40,000
80% cost of goods	32,000
Mark-Up	8,000
Overhead	5,400

Net profit \$ 2,600
(130% on capital)

Another man gets 10 turn-overs.
10 turn-overs at \$2,500.

Gross Sales	\$25,000
80% cost of goods	20,000
Mark-Up	\$ 5,000
Overhead	5,400

Net loss \$ 400
(Loss of 20% of capital)

A go-getter will get 18 turn-overs.
18 turn-overs at \$2,500.

Gross sales	\$45,000
80% cost of goods	36,000
Mark-Up	\$ 9,000
Overhead	5,400

Net profit \$ 3,600
(180% on profit)

Lincoln once said "The Lord certainly must have loved the common people—He made so many of them." Similarly it might be said that He certainly must have loved the grocers, for He's always making lots of new ones, as later statistics to be presented will clearly show.

The Louisville survey shows that 30 groceries failed each month and 32 new groceries opened up each month. Out of 345 stores selected at random, 79 stores (23 per cent.) averaged less than \$5,000.00 per year. The group average was \$2,678.00 a year, or \$9.00 a day gross. At least three salesmen called on these grocers every day. It was costing jobbers \$6.50 a day to sell a \$7.20 outlet.

By the way, a 1928 Kansas City survey showed 1,080 restaurants doing business. 551 went out of business. Almost as many (540) opened up.

A Department of Commerce survey

of 1,097 independent grocers who did over 107 million in 1928 shows:

Average sale per store \$98,000
254 cash stores sold 12,500,662
(23% of stores; 11.6% of total sales)

The other 843 stores' sales were split as follows:

Cash	Credit
\$34,651,274	\$60,683,921

Note the possible turn-over!

Percentage of bad debts to credit sales of 834 grocers:

Grocery stores having credit sales less than \$9,000 (39.3% charge sales) lost 4.9%.

Grocery stores having credit sales of \$10,000 to \$24,000 (56.6% charge sales) lost 1.5%.

Grocery stores having credit sales of \$25,000 to \$49,000 (54.5% charge sales) lost 1.3%.

Grocery stores having credit sales of \$50,000 to \$99,000 (62.1% charge sales) lost 0.8%.

Grocery stores having credit sales of \$100,000 to \$249,000 (59.0% charge sales) lost 0.6%.

Grocery stores having credit sales of \$250,000 and over (70.4% charge sales) lost 0.4%.

Of 834 stores 588 or 70.5% used Credit Bureau service; 246 or 29.5% did not use Credit Bureau service.

The average credit loss of Credit Bureau users, 0.5%; the average credit loss of non-users, 1.1%, more than twice as much.

The larger stores show better collection percentages and lower losses.

We have confined our turn-over exhibit to groceries because—everybody eats!

And, therefore, everybody is directly interested in the grocery problem. What affects the grocers, affects either directly or indirectly the whole community. But in another year, through the efforts of the National Retail Credit Association, we shall also have semi-annually statistics on clothing, shoes, furniture, dry goods, and other lines furnished by the U. S. Department of Commerce.

Groceries are considered the simplest form of retailing, but the turn-over facts represented in these charts can be applied with more or less modification to every other form of retailing, whether it be furs or furniture, carpets or candy, dry goods or drugs.

After seeing these charts you will readily realize that there has been, and still is, something fundamentally wrong with the jobbing business. Most job-

bing houses have permitted their sales departments to dominate their policies. The credit departments were looked upon primarily as expense departments. The credit man saw the big chief usually only when there was a loss. Naturally, under those circumstances, there was not a very brilliantly illuminated welcome for the credit man.

Most of these grocers are typical of the class of whom Dr. Julius Klein, assistant secretary of the Department of Commerce of the United States says, "Thousands of retailers carry no memberships of chambers of commerce or trade associations. Seldom do they read trade papers. They almost never go to conventions, or if they do go, they fail to attend their deliberations, but are bent on having a good time. In sheer numbers these misfits exceed the organized groups."

Naturally they are careless, short-sighted, and short-lived.

Every business needs and can have "turn-over" under properly directed efforts. We should, wherever possible, work for employment surveys. Use these surveys for bettering local conditions wherever possible.

One striking factor in which we ourselves may well share is for the payment of good wages to the workers in our own and other establishments. The demoralizing effect of chains, employing people at the lowest possible wage is a dangerous matter which should be overcome and we ourselves in our own establishments must look to it that good work is properly reimbursed. What we do here, or what we do in our own business is more than a splash in the stream of business. The rippling waves spread out and out and out, and eventually reach to the farther shore.

Each of us should face the facts applying to our own business. We should look ahead and plan ahead. Then will we be able to get "turn-over" in merchandise and "turn-over" in receivables. Only when the cash is in the till is the "turn-over" made. Sometimes the sales departments may try the rush act, but when all is said and done, until the cash is in the till, there is no "turn-over".

At this point I want to call attention to the fact that America is prosperous. Prosperous though over two million workers have lost their jobs since 1920. Prosperous though the mergers and machines have displaced two million workers in the last ten years. The higher efficiency and increased production have brought about an average of 119% in higher wages than were paid in 1913.

The result has been that all classes

have more money to spend for autos and appliances, for candy and complexions, food and furs and hosts of other things, and this has brought about an adjustment, placing workers in other lines, as the following chart will show.

Because the average worker earns 119 per cent. more net than in 1913 over two million found work in such lines as these up to January, 1929:

750,000 making, driving and servicing autos.

125,000 in motion picture business.

170,000 in beauty parlor work, barber shops, etc.

100,000 vacuum cleaners, washers and refrigerators.

50,000 more telephone workers.

12,000 in radio work.

230,000 more teachers.

500,000 more hotel and eating-house workers.

15,000 more bread, cake and pastry makers.

18,000 in aviation work.

All this means "turn-over".

Are you worried about the chains? Study them for points of efficiency. Remember that the individual grocer or merchant who will equal them in ef-

Tomorrow Someone is *Bound to Fail* But Who?

It may be that, unknown to you, one of your largest customers is on the verge of bankruptcy. Possibly, others on your books will close their doors tomorrow or next week. These business failures come with a disheartening shock. You cannot possibly foresee them. But you can protect yourself against loss because of them.

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iciency is very likely to win out strongly over them. How have they succeeded? Simply by "turn-over!" They do not sell on credit as a rule. Consequently, when they turn their stock they turn it into cash and they turn it frequently! They eliminate the slow "turn-over stuff!"

They do not buy from Tom, Dick and Harry because they are all good fellows. They simply buy when and what they need. If the individual merchant will do as much, he too will be headed for success, provided he has the right merchandise and the right location.

In the department store field, most progressive retailers do not fear the coming of the chains. It gives an opportunity to fight them on our own ground. It gives opportunity to excel them in service—it gives opportunity for selling better merchandise—merchandise intended for the *high-class* instead of for the *high-grass* trade.

By the way, isn't the laugh on these realtors who used to go out of their way to bring in the chain stores? Usually real estate and insurance go hand in hand, but how does the realtor, who went out of his way to call the chain store to your city feel when he sees the insurance all placed from a home office in New York City?

Before leaving the chain store may we call attention to the annual report, for 1929, of one of the two great mail-order houses, which is here presented?

Are the chains over-reaching? M. W. & Co. annual report shows decrease of over *five millions* in 1929 earnings:

	Net Earnings	After Tax Pd.	%
1928	\$19,571,300	\$17,703,895	9½
1929	14,504,935	13,434,935	5.43
Decrease last year	\$ 5,066,365	\$ 4,268,960	

M. W. & Co. mail sales fell off. They opened up 285 new stores, bringing stores from 247 to 532.

	1928	1929
Mail sales.....	\$171,072,363	\$166,679,173
Store sales.....	61,282,375	124,853,448
Total sales	\$232,354,738	\$291,532,621
Cost of good, general expenses, interest and general taxes		\$251,120,710
Reserve for Federal taxes		1,070,000
Depreciation		1,699,859
Surplus		1,566,274
		\$255,456,843

In estimating possible turn-over, "face the facts!"

Make an estimate based as accurately as possible on the seasonal prospects. Consider the factors governing the employment in the various industries. If, for instance, everything points to a good season at the steel plant, your mills or

whatever be your dominant industries, govern purchases and control your credit accordingly.

Likewise, along in the fall when the ore or grain season is sure to wind up certain employment, watch closely the credit granted to railroad men, miners and other operators likely to be affected. In other words, observe the trend of industry.

May we now present an employment survey recently made by the University of Minnesota in the city of X:

54 industries showed summer peaks and winter lows.

37 industries showed winter peaks and summer lows.

124 did not vary seasonally.

William H. Stead of the University of Minnesota has prepared several interesting graphs on the employment survey of the city of "X".

These charts show that the actual peak of employment is in December through the influence of the few large industries with heavy holiday business and the effect of snow-removal on the city-payroll. This December peak is largely the result of extras who are not to be considered in the seasonal survey as they cannot be classed as all-year-round workers.

Six firms are largely responsible for the seasonal variation showing employment fluctuation at 30 per cent. to 40 per cent. The more stable groups show about 5 per cent. variation. Of 209 occupations represented in the survey, 37 showed early winter peak and summer depressions; 54 summer peak and winter depressions; 118 with little or no seasonal variation.

The semi-skilled labor shows the least fluctuation; about 10% annual variation. The unskilled are the most unstable workers with annual fluctuations of 20% to 25%. Skilled labor also shows wide variations. A further fact brought out by the survey is that when a skilled worker is out of a job he is not only apt to be laid off, but out of his job permanently, due to improved methods and machinery.

In summarizing, Mr. Stead points out that the possibility of materially reducing seasonal unemployment by stabilizing six out of 126 firms, or 16 out of 209 occupations has aroused the interest of a group of industrial leaders in the city. The organization of a committee to work quietly with one or two highly seasonal industries is a most promising

result of the study to date. This survey material has also been helpful to the leading organizations seeking to bring new industries to the city, particularly in directing invitations to industries offering steady employment or to those whose seasonal peaks offset existing peaks in the industries of the community.

An employment survey in an enlightened and aroused community will tend to bring about a stabilization of employment. The depression employment period of January, February and March is likely to be materially benefited through concerted efforts of welfare associations, luncheon clubs and individual business men. Each can bring influence to bear toward the stabilization of industries. Each may urge that certain work be done in the months of depression. And, in this way, a very decided benefit may be secured.

It is taking discounts that gets the profit. In fact, many businesses depend on the cash discount alone for their profits in these days of close competition. If hampered by lack of working capital because of increased receivables, discount may be lost. Over balanced receivables cut off bank credit which would be possible if properly proportioned.

Therefore, let us all remember that to get turn-over, it is absolutely necessary to lay the foundations of our credit structure aright. Then with proper merchandising we can sell the goods and we can get the money in the till! We'll have 'turn-over'. And turn-over spells the difference between profit and loss!

Use the tools of today! Let's not use cumbersome Roman methods when, through co-operation, we can benefit by the light of past experience of the many. In credit work especially this is necessary. You who are here today are leaders in your work. That's why you are here! You can get your money if you go after it.

Perhaps you have heard a story which Ralph Parlette often tells. You may remember it!

Four ship-wrecked sailors were afloat on a raft off the coast of South America. Somewhere many miles to the West lay the coast, for which they manfully strove. Their food gave out—their water was gone! But still they strove to make the shore.

On the third night they took turns crying, "Water! Water! Water! Give us water or we perish!"

Finally, a faint call came back through the darkness. It sounded like, "Dip your buckets."

Again they called out, "Water! Water! Water! Give us water or we perish!"

Again the call came back, a bit louder. Again it sounded like "Dip your buckets" and a few more words that they scarcely understood. They remembered that sunset had shown them no land in sight, and thought they had misunderstood.

Again they called, "Water! Water! Water! Give us water or we perish!"

This time the answer came back clear and strong, "Let down your buckets and drink—you're on the Amazon River."

Of course you will recall that the Amazon is sixty miles wide at the mouth. Naturally you think how foolish those ship-wrecked sailors were because they had not tried the water before. But you may also know some nearly-wrecked merchants, always needing money, who are like those sailors. They know not where they are.

The sooner and the oftener they dip into the Amazon stream of business, with proper co-operative credit and collection procedure, the quicker will be their "turn-over!"

And the greater the profit for them and for us all!

prevent voluntary asset slaughter

(Continued from page 21)

stitutionality of the Pennsylvania injunction law. The particular case involved some lads who had secured the services of one William Wrigley, Jr., a gentleman from one of the southern states, and with the use of his name, they were selling packages of tooth paste and stock together under the well-known Wrigley name.

About two months ago, the Assistant Attorney General told me that the same crowd had transferred their operations to Atlantic City and the State of New Jersey was trying to stop Mr. William Wrigley Jr. and his associates.

It seems to me that the Stock Exchange could very well suggest legislation along the lines adopted by the American Medical Association. I don't know whether you gentlemen read in the papers of a recent project of the American Medical Association to protect the consumer from fraudulent food

products by means of their seals. It seems to me that the Stock Exchange could well increase its functions to protect the American public by means of their listing requirements. Then if it was widely known that stock on the Stock Exchange was safe and that people were safe in buying that stock, it seems to me that we could protect the victim. It is no use telling people not to listen to high pressure salesmen, and so forth, because they will do it. It is no use punishing the swindlers or trying to enjoin them. It might be some use if it were widely known that the only safe kind of stock purchase was through a regularly organized Stock Exchange.

In England they have somewhat similar arrangements because before a company can offer its securities, it must register them with a bureau of the government. Of course, to our way of thinking that is somewhat bureaucratic. Therefore I suggest that the Stock Exchange increase its listing facilities and try to persuade the various states to support the idea I have offered.

Thirdly, too much of our wealth comes into the hands of loafers. Every newspaper you pick up has something to say about the increasing burden of taxation. Politicians everywhere, thinking to please us, are discussing it. But I noticed throughout all that discussion there is very little said about what really increases the burden, and that, gentlemen, might be described as payroll disease. A too large proportion of our population is getting on the public payroll. In every department of the government, there are at least twice as many persons working as should work. There are four judges in my court; three are sufficient. Now the government is trying to add a fifth over my earnest protest. In the District Attorney's office in New Jersey there are seven assistants; three would be ample. In the clerk's office, there are thirty assistants; ten would be quite enough. And so it goes.

I suggest that various public organizations advocate some form of stop watch system for public employment. Stuart Chase, whom I referred to before, has mentioned the fact that the time study boys have decreased the movements necessary to the dipping of chocolate by eighty per cent. I would like to see those time study boys in the average sheriff's office or in my court. If they could decrease the number of ob-



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jections on the ground of incompetency, irrelevancy and immateriality by three per cent I would thank them.

It seems to me that too much of our wealth gets into the hands of incompetent people. Several years ago I was a visitor in England, and after my return Mr. Burnett very kindly asked me to speak to the Credit Men's Association of North Jersey, of which he was then president. I told the Credit Men's Association of the interesting experience that I had had in listening to the public examination of bankrupts. In all other countries, gentlemen, but this, a debtor is automatically examined by the authorities.

After I reopened my court that winter and after some study of the statute, I concluded that it might be possible, under a liberal interpretation thereof, for me to examine bankrupts, so I started in doing it. At the same time, the Yale Law School and Yale Institute of Human Relations and the Department of Commerce were making some studies of the causes of failure. After a little correspondence, we joined forces, and as the result of that we conducted public examinations, with the assistance of expert graduate students from the Yale Law School and one expert from the Department of Commerce, of over one thousand bankrupts.

We made a preliminary report about a year and a half ago. The final report is now in course of preparation. Gentlemen, we were appalled at the facts we learned. We may be in the middle of the machine age, but two machines that are not very much in vogue are

the adding machine and the cash register because we found that most of the people we examined kept no books, had no idea of their overhead, had no proper conception of turnover, didn't care anything about the law of supply and demand, and generally showed an abysmal ignorance of fundamental economic principles.

We have also had some experience in New Jersey in winding up banks. We found the same ignorance, the same carelessness, and the same lack of consideration for economic principles there. Officers were lending companies in which they were interested money. I think you gentlemen have read the number of bank failures that have taken place in the United States. Those types of failures are generally attributed to the depression. All this work that we did was done long before the depression took place, and it is my suggestion that if more care was taken by the average business man in the conduct of his business, we wouldn't have such marked depressions.

After we had been engaged in this work for some time, it occurred to us that it would be very useful to extend its scope, so we went down to Washington and interviewed the officials in the Department of Commerce. Dr. Klein, I understand, will be here tomorrow, and you might ask him some questions for me. I appeared before a committee consisting of a member of the Federation of Labor, the president of the National Consumers' League, a representative from your Association and members of the Department of Commerce. Professor Douglas, the Yale expert, and I, told them at some length of our work and we begged them to permit us to extend that into other courts and into other parts of the country. For some reason—I think officially it was given to us as lack of funds, but we both suspected at that time the Republican Party would not listen to any whisper even against prosperity, and we suspected that that was the reason we were not permitted to widen our activities. You might ask Dr. Klein that when he gets here. Maybe they have changed that view about prosperity now.

Our theory was, gentlemen, that too much attention has been given to the leaks in the administration. You are going to hear from Mr. Garrison, I believe, this afternoon, a most able lawyer, in my opinion, of his work for the Department of Justice with respect to the failures in administration. To my mind they are childishly obvious. I can sum it up in one word—too damn many

lawyers.

However, we felt that it was more useful not to salvage the wreck but to prevent its occurring. The losses, I think in administration, are fifty million, according to the Attorney General's report. The losses because of failure are six hundred and fifty million, and we thought that it was useful to determine the causes of business failure. We called our work a Bankruptcy Clinic because we borrowed our theory from that of preventive medicine. We thought that if business men and credit associations all over the country were brought to forcibly realize the unwisdom of some of the things that they were doing, to put it mildly, that that might have some effect on future generations of business men.

Therefore, if you think well of it, I should be very pleased to have your Association convey respectfully to Dr. Klein my wishes that he take up the abandoned project and see if it won't have a material effect on getting us at least ready for the next cyclical depression, because we all felt that these careless methods had so depreciated the general assets of the country that when the apparently inevitable cycle came around, there was no resistance, and like, a house of cards, the business structure fell.

Thank you, gentlemen, very much for listening to me so patiently.

deflate!

(Continued from page 23)

keep it from going above the line. If it does not go higher, it will not go lower.

It isn't a matter of psychology when copper drops from twenty cents to eight cents and I feel poor when I have bought a lot of it and have it on hand. The bank says I have so much less collateral. Is that a matter of psychology when you go to the bank and they tell you you have got to pay up your loan? What is the psychology of that?

If I were made Mussolini of the United States, there is one thing I would guarantee: that you would have none of these peaks above the 100% line. I would do it in the same way that a certain president of the United States, I understand, once suggested. He is reported to have said he would like to have the power without giving any reason or being questioned, to shoot five of his enemies. He added, "I won't

have to shoot anybody; all I will have to do is put them on the list." If you will allow me the same privilege and allow me to shoot ten thousand of our leading optimists or those claiming to be optimists in the United States, I will guarantee to prevent any depression.

What is an optimist? One animal I often think of as comparable to our all-time optimists. That is one of these whirling mice. He never goes anywhere; he just whirls.

Many of our leaders and our economists are like these whirling mice. There are so many leaders of business who don't know the first principles of economics, who have never studied or considered economics. I don't care whether a man is worth a hundred million or a hundred billion dollars. It doesn't prove to me that he is a good leader in these matters if he doesn't know anything about Adam Smith and his teachings and those that have grown out of them. You wouldn't hire a minister who didn't know anything about the Christian Bible. Adam Smith wrote the Economic Bible one hundred and fifty years ago. Yet there are men today who know little if anything about credit or money or capital except in the limited concrete uses they have made of them. That is one of the causes of this depression.

For many years, ministers have had to have a liberal education and a course in the Bible. Lawyers have had to have a liberal education and a course in the law school. Doctors, before they are allowed to practice on the public, have to have a liberal education and four years in the medical school. And what do they know after that? Nothing but theory, absolutely nothing but theory. And yet we won't allow those fellows to practice unless they take a bar examination or a medical examination. But the business man can practice on any of us without knowing anything except about his own business and about this he is often wrong.

We have, springing up today, some real business educational institutions. I happen to have been on the Advisory Committee of the Harvard School of Business for ten years and I have watched it grow. Its supply is very much less than the demand today. We have Boston University here in Boston, Northwestern, the Wharton School in Philadelphia, Leland Stanford in California. We have many of them developing.

(Continued on page 50)

New Days — New Ways

in Credit

Change alters the business and credit picture so rapidly that only the most alert can now keep in step. Today's successful men are those who can grapple with today's new problems. The credit leader of the future must have a sure knowledge of the significance of changing trends and developments. An expert training in yesterday's technique is not enough.

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One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men
APRIL, 1931

CASE	INDIVIDUAL	CHARGE	SENTENCE
Leon Fox, 101 West 37th St., New York City, N. Y. (Jobber of Silks & Cottons)	Leon Fox	Issuance of a false statement.	60 days
Commercial Carpet Company, Keenan, Irving, 25 West 43rd St., New York City, N. Y. (Floor coverings)	Irving Keenan	Concealment of Assets.	Sentence not yet im- posed.
Victory Hat Company, 626 Broadway, New York City, N. Y. (Hats)	Abraham Landau Morris Schaffer	Use of the mails in a scheme to defraud.	3 months. 3 months.
W. H. Houseman, Anawalt, W. Va. (Ladies & Gents Furn.)	W. H. Houseman	Concealment of assets.	Fined the sum of \$750.
Ely Joseph, Salisbury, N. C. (General Mdse.)	Joseph Ely	Concealment of assets.	Suspended sentence of 1 year and 1 day and fined the sum of \$400.
E. O. Bernard, Tupper Lake, N. Y. (Jewelry)	E. O. Bernard	Use of mails to defraud.	4 months in the Albany County Jail.
James Shahood, Utica, N. Y. (Groceries & Meats)	James Shahood	Concealment of assets, perjury and filing false schedules.	Suspended sentence of 1 year and 1 month and placed on probation for 2 years.
Artcraft Dress Co., Boston, Mass. (Dresses)	Myer Mussman	Concealment of assets.	Suspended sentence of 1 year and 1 day and placed on probation for 1 year.
	Benjamin Adelstein Frank Mussman	" "	" "
Kaleh's Linen Shoppe, Syracuse, N. Y. (Linens & Silks)	Saleeba E. Kaleh	Concealment of assets.	1 year, 1 day.
International Footwear Co., Worcester, Mass. (Shoes)	Samuel Bernfeld	Conspiracy to conceal assets.	Suspended sentence. of 1 year and 1 day and fined \$500.
	Heimie Weisinger	Conspiracy to conceal assets.	Suspended sentence of 1 year and 1 day and fined \$1000.
	Max Weisinger	Conspiracy to conceal assets.	Suspended sentence of 1 year and 1 day and fined \$250.
	Abe W. Berkowitz	Conspiracy to conceal assets.	Fined \$250.
The Bee Hive, Salisbury, N. C. (General Mdse.)	Frank Nassif	Concealment of assets.	Fined \$500. 1 year, 1 day.
Reuben Turetz, tgd. as R. E. Turetz Company, Atlantic City, N. J. (Electrical Supplies)	Reuben Turetz	Use of mails to defraud.	3 years in the At- lanta Penitentiary.
M. Garfinkle, Washington, D. C. (General Mdse.)	M. Garfinkle	Conspiracy to use the mails to defraud.	18 months in the Atlanta Peniten- tiary.
J. Rosenberg, Washington, D. C. (General Mdse.)	J. Rosenberg	Conspiracy to use the mails to defraud.	Suspended sentence of 18 months and placed on proba- tion.
	Sidney Glaser	Conspiracy to use the mails to defraud.	2 years in the At- lanta Penitentiary.
Williams & Beacham, Columbia, Miss. (General Mdse.)	E. B. Williams	Violation Postal Laws.	15 months Atlanta Penitentiary.
Chicago Beaux Arts, & Gift Shop, Chicago, Illinois (Gift Shop)	George E. Roberts	Conspiracy to conceal assets.	60 days County Jail and fined \$100.
	Lawrence M. Fine	"	"
	Simon Falick	"	"
	Julius Rieger	"	"
Superior Jewelry Co., Cleveland, Ohio	M. B. Baroff	Embezzlement.	Indefinite term at Mansfield Reform- atory. Maximum sentence 3 years.
Manus Rosen, Detroit, Mich. (Dry Goods)	Manus Rosen	Concealment of assets and perjury.	15 months Leaven- worth Penitentiary on each charge. Sentences to run concurrently.
Chas. W. Grzanka, Detroit, Mich. (Bakery)	Chas. W. Grzanka	Concealment of assets.	(To be sentenced later.)
Mark Yudd Co., Chattanooga, Tenn. (Men's Clothes)	Mark Yudd	Concealment of assets.	(To be sentenced later.)

Total of 1140 Convictions from June 1, 1925 to April 30, 1931

addresses wanted

BASKIN, M. H., 467 Broadway, New York, N. Y.
BERGER, SAUL W., formerly operated the Conklin
Co., 16-18 Witherell St., Detroit, Mich.
BIRD, BILL, painter and decorator, formerly at 7129
Harrisburg Blvd., Houston, Texas.
BROWN, HARRY K., formerly operated the Roxy
Booterie, 901 Clinton St., New York, N. Y.
CHATLIN, B., Berns Shoe Company, 1148 Woodward
Ave., Detroit, Mich.
DEAN, W. S., painter and decorator, formerly 4416
Live Oak St., Bell, California.
DRON, DOUGLAS, WILLIAM, an engineer, formerly
employed at 3501 Addison St., Chicago and resided
at 4901 N. Christiana Ave., Chicago, reported to
have become associated with an oil company in
Venezuela, S. A.
DUNNING, W. F. (DR.), formerly operated Dunning
Institute, St. Louis, Mo. Recently operating out of
Montgomery, Ala. Believed to be now in California.
EDMAN, J. R., Loyal, Okla.
EHRENSTRON, PHILIP, d. b. a. Metabolic Institute,
Tacoma, Washington.
FACINE, JAMES, painter and decorator, formerly at
12364 Jane Ave., Detroit, Mich.
FRESHWATER, H. W., painter and decorator, for-
merly 12833 Steel St., Detroit, Michigan.
GREGORY, OSCAR T., promoter, formerly lived at
Malden Arms Hotel, Chicago.
JENKINS, OWEN, L., formerly salesman Truscon
Steel, Chicago, resided at 7019 Clyde Ave., Chicago,
Ill.
LITTLEFIELD, DANIEL B., manufacturer of games
and novelties, formerly Room 703 Security Bldg.,
and 6173 Lakewood Ave., Chicago.
MEYER, LEWIS H., operated the Pequannock Service
Station at Pequannock, N. J. Believed to be a sales-
man for some oil company in New England.
REHRING, W. H., painter and decorator, formerly at
3729 Floral Avenue, South Norwood, Ohio.
SHANKMAN, HARRY, formerly 23 Day Avenue,
Roanoke, Virginia.
SIMINGTON, FRANCIS J., research engineer, for-
merly 655 Hazelwood Ave., Detroit, Mich.
WRIGHT, ROMMIE F., d. b. a. Wright Screen Works,
501 S. Bernadotte St., New Orleans.

deflate!

(Continued from page 48)

oping and turning out men educated in
the theory underlying business practice.
I hope that some day all business men
will know what underlies their busi-
nesses.

You would think that any business
man, when call money got up to 18¾ %
as it did in March, 1929 would run like
the devil. No, it was a new era. We were
too smart to have the law of gravity
apply to us any longer. There are cer-
tain fundamental laws about business
that always apply and always will apply,
in spite of the automobile, the radio
and the electric light, in spite of all our
scientific research and improvements.
Until we have a common understanding
of those fundamentals, we cannot pre-
vent just such a situation as we have at
the present time.

I want to call your attention particu-
larly to what is happening today. The
dollar is almost back in commodity
prices to the 1913 level, within 5 to
10%, according to any index you may
choose. Wages, in many cases, are
100% above. We don't suffer from
general over-production because there is
no such thing from the economist's
standpoint, and there never will be. But
we do suffer from production and other
economic factors being out of balance.

Now, what is the situation and what
are you going to predict for the long-
run future? Unless there is another
big war or unless Andrew Mellon asks

the nine billion dollars he saved for us and builds an Egyptian pyramid in each of the forty-eight states of this Union and inflates the currency again or the credit again, we shall have a continuance in the fall of prices, i. e. in the increase in the value of the dollar. That means a lot to every reader of this article. Mark off something from your balance sheet on the asset side. Be more conservative in the future, as are the savings banks. There is money in the savings banks for a man to build a building now, but they are not loaning up the values that they did before. Why? Because the dollar is more valuable.

Personally, I disliked very much to see the railroads ask for an increase in freight rates. Why don't they reduce their wages?

Here is another thing—I can't speak for the big men of this country—but we have had a campaign on for something which is just as fallacious as the free silver proposition, i. e. for keeping up wages. We can reduce the rate of wages and not reduce the standard of living because the cost of living has gone down. What difference does it make whether a man gets five dollars a day or four dollars a day, if the four dollars today will buy as much or more than the five dollars did yesterday? It is what the money will buy that counts.

If you are good credit men, you will take into account this change in the value of the dollar. If you take a dollar out of your pocket now and put it back in it in two seconds, that dollar has changed value in that length of time. So don't take your balance sheets as static, don't take your credit risk as static. The dollar changed in value and the wholesale commodity index increased in value over 2% in the month of April alone. Watch that commodity index. You don't want gold. What can you use gold for? To fill your teeth with, or buy a gold watch chain which nobody wears now. What you want is commodities. What you want is something to eat. And you have got to take that change in the value of the dollar into account all the time.

In 1919, when I started to look over what happened after previous wars, I could have told you at that time what would happen in the next thirty years in the purchasing power of the dollar and I can still tell you what will happen, not probably but positively.

The value of the dollar, when times improve, goes down. It takes more dollars to pay for your living expenses. And when times get bad, the value of the dollar goes up. It takes fewer of them to pay for your living expenses. After every war, the fall in prices is larger than the rise during good times.

The remedy then for better business is education and education of the business leaders of this country at least up to the point that they understand the basic things underlying their business.

I happen to have been a charter member for ten years of the Stable Money Association of New York. We don't like the gold standard of the world, and the association has inaugurated and sponsored a movement to try to correct the evils of that standard. Among the statements endorsed and given publicity by the association is this from the Midland Bank, Ltd., one of the five leading banks of London: "History has shown that apart perhaps from wars and religious intolerance, no single factor has been more productive of misery and misfortune than the high degree of variability in the general price level. A stable price level is a thing to be desired second only to international and domestic peace."

We are citizens of the greatest country in the world, the country that took the industrial leadership away from England which held it for the previous three hundred years. We are sitting on top of a social volcano right this minute. We are responsible for the conditions of business. We can do something about it if we want to, but we can't do anything about it by just saying, "I am an optimist." We must take an interest in the business education of the young men who are going to take our place in business. We must back up the business schools in every community. We must take an interest in the price level and in the study to find something better than the gold dollar based on weight. We want a gold dollar based on purchasing power and I am going to see what I can do to help to get it.

the bankruptcy law

(Continued from page 26)

total indebtedness. Another suggestion of Mr. Livingston's for improvement in the administration of discharges is that a trustee should have power to oppose a discharge when he feels it imperative

to do so, without either waiting to obtain permission from the court or until a creditors' meeting has been called.

Mr. Livingston approved of Mr. Garrison's suggestion that an inspector be appointed for each bankruptcy district to supervise the administration of the Law in his particular district and to standardize procedure as far as possible.

Mr. Livingston in conclusion brought out the fact that the Bankruptcy Law is a lawyer's law and that, too often, unscrupulous lawyers entirely subjugate the interests of creditors to their own profit. He cited as example the instance which Mr. Garrison had discussed earlier in the session, where a lawyer can influence three creditors in an assignment case to file a bankruptcy petition and upset the whole proceedings. Mr. Livingston believes that legal restrictions on unscrupulous lawyers will make 35-cent-on-the-dollar settlements an actuality and not an impossibility.

Mr. Livingston's address completed the formal part of the Bankruptcy Session. The meeting then developed into an open forum in which questions were directed to Mr. Garrison from members of the audience.

Chairman McComas started the ball rolling by asking Mr. Garrison if he thought the bankruptcy statistics were compiled in a manner to give a fair picture of the returns in commercial bankruptcy. Mr. Garrison replied that the trouble with the statistics that have been published so far is that the figures for different classes of bankrupts,—wage-earners, merchants, etc.,—have been lumped together. The Bankruptcy Survey has ordered an improvement in this situation. The figures on bankruptcy for 1930 will be broken down into the different classes of bankruptcies and will therefore give a much more accurate idea of the subject.

Mr. McComas then asked Mr. Garrison if it were true that in England a discharge may be refused if a bankrupt is not able to pay a certain proportion, say 25 per cent., of his debts. Mr. Garrison replied that when an English debtor is unable to pay 50 cents on the dollar, the court has three alternatives: it may grant or refuse him a discharge outright, or it may grant him a conditional or suspended discharge. The conditional discharge demands that he pay his creditors the percentage which the court deems fair. The suspended discharge stipulates that he must pay out everything he acquires during a stated interval to his creditors. At the end of the stated period, he receives his discharge. Mr. Garrison said that the

courts in the majority of cases grant conditional or suspended discharges rather than refuse a discharge outright.

Mr. E. Pilsbury of New Orleans brought up the question of more stringent penalties for the concealment of assets. Mr. Garrison said that he couldn't express any opinion on that subject as his investigating body had just begun to study that subject.

Mr. W. E. Smith of Minneapolis continued the discussion of concealment of assets by applauding Mr. Garrison's plan for investigation of every bankrupt and his records by a government auditor. He believes this will show up instances of fraudulent concealment immediately.

He added that he would like to see uniformity in the matter of exemption of homesteads. In some states there is no limit on the value of homesteads on which exemption may be claimed. A bankrupt may be able to retain possession of a ten-story hotel, live in it and snap his fingers at his creditors.

Mr. M. D. Meyer of Houston said he believed that fraudulent acts like concealment of assets should be prosecuted as efficiently as other criminal acts. To bring this about, the referee should act only in a judicial capacity and should be on a salary instead of a fee basis so that he will have no personal financial interest in the proceedings. The Federal District Attorney should appoint someone to represent the government in the bankruptcy court and prosecute infractions.

Mr. Garrison replied that his investigation was giving consideration to all questions surrounding the office of the referee. He felt personally that referees should be on a salary basis. This is however, a very difficult problem to settle from a purely mechanical point of view. As to the question of criminal prosecution in bankruptcy, he said that he considered the most essential step to be not an improvement in the methods of prosecution but an absolutely thorough examination in every case and immediate investigation of criminal leads.

Mr. Thomas O. Sheckell, head of the Adjustment Bureau of the New York Association approved Mr. Garrison's suggestion in his address that assignments no longer be considered as acts of bankruptcy and therefore no longer subject to transfer into the bankruptcy courts midway in the proceedings.

Mr. M. E. Garrison, secretary of the Wichita Association of Credit Men and Mr. W. B. Leighton of Portland both expressed the opinion that Mr. Garrison's address and supplementary remarks

formed one of the most intelligent analyses of the bankruptcy situation they had ever heard.

Mr. Raymond Hough, head of the Credit Group Department of the New York Association, asked Mr. Garrison if it would not be possible for the United States Supreme Court to create a group of bankruptcy supervisors, like those suggested by Mr. Garrison, without an amendment to the Bankruptcy Law. Mr. Garrison replied that he believed this to be beyond the power of the Supreme Court as this body cannot legislate.

Tribute was paid to Mr. Garrison by Mr. J. H. Tregoe, former executive manager, who was present. He said: "Never from our platform have we heard a more constructive, intelligently conceived, though not final, and peppy address on the Bankruptcy Law as we were favored with this afternoon by Mr. Garrison." An enthusiastic vote of thanks, (the Convention minutes record that the "audience arose, applauded and cheered"), given to Mr. Garrison and also to Mr. Livingston and Mr. Montgomery by those present ended the session.

protect railroad capital

(Continued from page 27)

politan district of Greater New York, if railroad service were cut off even temporarily. Bear in mind that every city necessarily draws its food supplies entirely from the outside, that their transportation in bulk is handled almost entirely by rail, and that there is never on hand, in a great urban center, more than a few days' rations in advance.

The object sought in the railroads' plea for increased freight rates, therefore, is not to bolster up the fortunes of a recessive industry, but to save the country from the consequences of permanent injury to one of its most indispensable resources. The response to this plea will test the broadmindedness of American business as it has rarely been tested before.

The farmer should be, and will be, heard, but we should make sure that we are listening to his voice, and not that of self-appointed spokesmen, working for political and not economic ends. The farmer merits the deepest sympathy and most intelligent help of the entire nation, but those purposes are not served by misleading him with false

panaceas.

Standing in the way of a necessary advance in freight rates will not sell a single additional bushel of wheat in the world's markets, where the ability to sell is controlled, not by transportation conditions, but by the capacity of the market to absorb, in the face of a great surplus.

The emergency under which the railroads are now acting is, in itself, a thing of the present. Its germs, however, lie deep in the past. If the carriers were permitted to participate in periods of prosperity equally with other business, they should equally sacrifice in periods of adversity. But they are denied such participation by law. Even in periods of prosperity the return on railway capital has been meagre and inadequate as shown by the statistics of net railway operating income and its percentage of the value of railway property. During the recent period of great prosperity, when industry was reaping unprecedented rewards, the carriers contributed a service indispensable to the creation of this prosperity. The compensation for this service offered by law has been a return on capital only slightly exceeding the rate of interest which the ordinary investor receives when he invests in well secured obligations. This has been the upper limit of the reward of risk of railway capital and of efficiency in railway management. But while regulation has imposed such an upper limit, it offers no compensating lower limit, and the dangerously reduced earnings of the railroads today are the result.

I trust you may share with me the belief that the application of the railroads, under the serious emergency conditions now existing, presents to the regulative bodies, both Federal and State, an opportunity never surpassed in history to demonstrate their grasp upon the principles of transportation statesmanship. Personally, I am hopeful for, and anticipate, such a disposal of the issue; but there is needed the support of informed public opinion, clearly, intelligently and sincerely expressed.

I may add that the 15 per cent. increase sought would simply effect a partial restoration of the general reduction in rates that started in 1922.

Before passing from this subject, I wish to refer briefly to the suggestion sometimes made that the railroads might reduce their operating expenses by low-

ering their standards of service. By this is largely meant slowing down train schedules, both passenger and freight, and curtailing features of comfort and convenience to which travelers have become accustomed. With such views I most emphatically disagree. I do not think the railroads can progress by going backward.

Space does not permit discussion of details, but as a result of better operating methods and of the clearing of the rails of much of the short-haul traffic now transferred to the highways, thereby permitting freer train movements, we find it perfectly possible to maintain fast schedules at reduced operating costs. In the freight service particularly, by eliminating terminal delays and simplifying and improving yard and classification work, we have both saved money and shortened the time of through runs, without materially increasing the speed of the road movement.

I should like, in addition, to correct the impression that an excessive number of limited passenger trains is being operated, at least as far as the Pennsylvania is concerned. While in the last three or four years we have materially increased our fast passenger service between important terminals, as for example, between Chicago and New York, it has been because the public wants trains of that kind, and we have been able to curtail other service of a character less popular, with a net reduction in total train miles between these two points. Moreover, our limited trains now produce nearly 25 per cent. of our total passenger earnings, and, generally speaking, are the only ones which have held their own or increased their traffic against the use of the private automobile. The sound financial basis upon which service of this character rests is further illustrated by the fact that train-mile earnings in this group are materially higher than the average for ordinary trains.

Looking beyond this present emergency, I view the railroad future with distinct optimism, which I have every confidence is soundly grounded. I believe the people of this country are intelligent enough and farsighted enough to sanction the steps necessary to introduce financial and economic stability into a form of enterprise which they are absolutely unable to do without. You may ask whether I see the likelihood of developments calculated to bring about such a condition. My answer is, I do. Some are already visibly

taking form. Others lie entirely in the future. I would summarize the chief of them as follows:

1. Definite recognition of the railroad companies as general carriers, not merely limited to the rails.

2. Entrance by the railroads into every field of useful transport, by land, air, waterway, lake or sea, and in both domestic and foreign commerce.

3. Utilization of each agency of transport in the field in which it is able to give the public that service which, all things considered, is best and cheapest, and its development within the reasonable limits of such field.

4. Voluntary consolidations of railroads as contemplated by the Transportation Act, for which the groundwork has already been laid in the eastern territory.

5. As a sequel of consolidation, the progressive adoption of many operating economies, largely through elimination of unnecessary competition, and particularly those forms of competition not required to sustain initiative.

6. Limitation of competition strictly to service, with complete protection of the rate structure from the reach of competitive influences, direct or indirect.

7. Non-competitive pooling of traffic and service, by merger or otherwise, in various limited areas where the volume of business is not sufficient to support competing operations.

8. Withdrawal of the government from all forms of subsidized competition against the railroads, as being unsound, unfair, against public interest and out of harmony with the spirit of our laws and institutions.

9. The exercise of reasonable control over the too rapid creation of further facilities for the rendering of commercial transport, beyond the requirements of tangible needs.

10. A permanent policy of rate regulation which will comply with the provisions of the Transportation Act, calling for a reasonable return to the railroad companies upon their property devoted to railroad use.

Now, let us see where such a picture leads us. The railroads remain the backbone of the transportation machine, not because of the mere magnitude of the investment in them, but because of the superiority and wider general usefulness of their physical facilities, as compared with any other agencies. Highway, waterway and airway com-

mercial transport naturally group themselves around the railroads as supplementary services. Motor trucks specialize chiefly in terminal zone hauls, where their superior efficiency is unquestioned. Railroads perform the terminal-to-terminal hauls, there their superiority is equally clear. Motor buses become extensions and feeders of rail lines at terminal and intermediate points, and also offer a supplementary parallel service, coordinated with the rails, in response to clearly evident public demand. The railroads participate in the ownership of highway transport enterprises coordinated with them. The relationship with airways is of course similar.

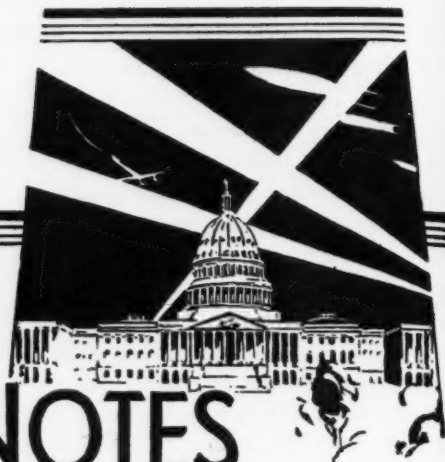
The railroads gain the right, now denied them, of using the inland waterways which their taxes largely helped to build. They are restored to their natural right to participate in Great Lakes, coastal and intercoastal shipping, from which they have been barred since the opening of the Panama Canal. Through participation in shipping lines to foreign ports, they further extend the influence and prestige of America across the seas. They do not have to face subsidized rival services, supported by taxation. Finally, a proper rate structure, assures sufficient net earning power, under economical and efficient management, to form the basis of stable credit.

Does such a vision seem impossible of full realization? I personally know of nothing standing in the way, assuming that public opinion is properly and adequately informed, and if I may respectfully suggest it, such outstanding business organizations as The National Association of Credit Men can be convinced of the desirability of realization and record themselves accordingly.

With the filling in of all the other details in the picture I have attempted to paint, we should have a transportation system, for this country, largely reduced to order, and capable of intelligent survey and study from the viewpoint of future developments and needs. We should still retain a very considerable degree of diversity in ownership, in the hands of private enterprise, which is desirable. But we should also have a high degree of integration and coordination between the physical facilities and means of service, which would be of such character as readily to be further smoothed out and refined in the light of additional study.



COURT DECISIONS AND WASHINGTON NOTES



CARRIERS LIEN. VOLUNTARY DELIVERY ACTION BY AGENT ON BEHALF OF PRINCIPAL. (WISC.)

Plaintiff hauled automobiles for Ford to a dealer under an order bill of lading. Plaintiff was to collect the price of the cars before turning them over to the dealer. The Ford contract provided that title does not pass until payment is made. The plaintiff left the cars with the dealer and wrote him requesting payment. The dealer did not secure the delivery by fraud. The dealer did not reply to the letter and two weeks later he sold the cars to defendant. The latter paid by check but stopped payment on them when notified by plaintiff. Plaintiff brings replevin. The circuit court found for the defendant. *Held*, that the plaintiff voluntarily parted with possession and cannot now assert his lien. Plaintiff as agent of Ford can maintain no action in his own name for the benefit of his principal who made a contract with a third party. Nor is plaintiff able to maintain an action under the real party in interest. Section 260, 13 Wisc. Stats. Judgment for defendant affirmed. *Madden Brothers, Inc. vs. Jacobs*, Wisc. Supreme Ct. Decided April 7, 1931.

BREACH OF CONTRACT. VENDOR'S REMEDIES. DAMAGES. (CALIF.)

In this action to recover money due for the purchase of personal property, where the property was not delivered, but the contract provided, that in the event defendant breached the contract plaintiff was to recover the entire purchase price, regardless of the fact that the property might not be delivered, and it appeared that at the time of defendant's breach there was an active market for the property involved and that the goods might have been sold upon the market with no loss to plaintiff. *Held* that the provision of the contract relating to the payment of the purchase price was but an attempt to fix damages in the event of a breach, and it therefore came within the inhibitions of section 1670 of the Civil Code, and it appearing that plaintiff had suffered no actual damages, it was not entitled to recover. Further, the remedies of the vendor of personal property are clearly defined in section 3311 of the Civil Code, and they do not include the right to resell the goods at an advanced price, and to retain the purchase money paid on the contract, either as liquidated damages, or on any other grounds. Judgment for defendant-responsive affirmed. *Mente & Co., Inc. vs. Fresno Compress & Warehouse Co.* Calif. Dist. Ct. of Appeals. 4th App. Dist. Decided April 9, 1931.

REAL ESTATE. FIXTURES. CONDITIONAL SALES. LIEN OF REAL ESTATE. MORTGAGE.

The defendant Central Chandelier Company sold and delivered to the defendant Herb-Gner

Construction Co., Inc., certain electric lighting fixtures, under a conditional sale contract reserving title in the seller until payment had been made. The fixtures were designed for installation in an apartment house owned by the Herb-Gner corporation, and were so installed. Thereafter, the Herb-Gner corporation executed and delivered to Langner and Herbst a bond and mortgage securing the bond. The mortgage described, as the property conveyed, not only the apartment house but "all fixtures and articles of personal property, now or hereafter attached to, or used in connection with the premises, all of which are covered by this Mortgage." No money were advanced by Langner and Herbst in consideration of the execution and delivery of the bond and mortgage to them. On the same day, Langner and Herbst, by assignment in writing, transferred the bond and mortgage to the plaintiff to secure to him the repayment of \$20,000 which he simultaneously advanced to them. The plaintiff had no knowledge of the terms of the conditional sale contract. The mortgage and the assignment thereof were duly recorded on August 9th, 1928; the conditional sale contract was not filed until August 20, 1928. *Held* that Langner and Herbst made no advances, nor were they ignorant of the terms of the contract. Consequently, they were not purchasers without notice within the meaning of Section 65, Personal Property Law, and the conditional sale contract would have prevailed as against their subsequently executed mortgage. It is the general rule that the assignee of a mortgage takes it subject to any equities which would have prevailed against the assignor. But in the hands of Langner and Herbst the instrument now sued upon was not a mortgage; it became a mortgage when the plaintiff advanced \$20,000 upon the faith of its assignment. Thus, the plaintiff, who owned the instrument from the moment of its inception as a mortgage, was to all intents and purposes the original mortgagee. It follows that the plaintiff, having no notice of the conditional sale contract, was a "purchaser" without notice within the meaning of Section 65; that, as to him, the condition reserving title to the electric fixtures, contained in the contract of sale, which was not yet filed, was void, and the lien of the mortgage attached to the electric light fixtures. Judgment of the Trial Term in favor of plaintiff affirmed. *Kommel vs. Herb-Gner Construction Co., Inc., et. al.* N. Y. Ct. of Appeals. Decided May 12, 1931.

CONDITIONAL SALE. PROMISSORY NOTES. DEFAULT. FAILURE TO GIVE STATUTORY NOTICE. (WISC.)

Action by the plaintiff Mack International Motor Truck Corporation against the defendants to recover on certain promissory notes. From a judgment in favor of the defendants, the plaintiff appeals. The Thelen Trucking Company, a Wisconsin corporation, purchased from plaintiff

under the terms of a conditional sale contract, 13 Mack trucks. Three thousand dollars of the purchase price was paid in cash, and promissory notes were executed for the balance. Default was made in payment of two of these notes. Negotiations resulted in the execution of three notes covering the amount of the two notes on which default was made, and extension of the time of payment. These notes were signed by the Thelen Company and endorsed by the Lannon Company. They were not paid when they became due. The plaintiff repossessed and sold the trucks in attempted compliance with Ch. 122 Stats., relating to contracts of conditional sale. This action was brought to recover on the three notes endorsed by the defendant Lannon Sand & Stone Company. *Held*, that Sec. 122, 19 Stats., provides that the seller shall give to the buyer not less than ten days' written notice of the sale either personally or by registered mail. The notice of sale provided and advertised that the sale would take place on the 9th of August. The notice of sale was served on the Thelen Trucking Company on August 1, 1929, less than ten days prior to the sale. It is not contended that the notice actually given satisfies the requirements of the statute, but plaintiff contends that it was the right and privilege and within the power of the Thelen Trucking Company to waive that notice, and that it did so. *Held* that waiver of the right to redeem in such cases has been held void by courts in the absence of any such statutory inhibition. The right to redeem under contract of conditional sale was held analogous to the right to redeem a real estate mortgage, and that any waiver of that right was void as against public policy. The legislative purpose being to mitigate the possible harshness sometimes arising under such conditional sale contracts, the Court thinks that purpose would be frustrated if a mere waiver or consent by a vendee then in default could serve to take such contract out of the protection of the statute. The notice of sale in this case was not that required by statute. The sale was void and, less than 50 per cent of the purchase price having been paid, the repossession of the trucks discharged the indebtedness, as judgment for deficiency may be had only in the event of a valid resale. Judgment affirmed. *Mack International Motor Truck Corp. v. Thelen Trucking Co., et al.* Wisc. Supreme Ct. Decided June 12, 1931.

STEAM PRESSURE COOKER. EXPLOSION. FAILURE TO WARN. (WISC.)

Plaintiff recovered a judgment for damages resulting from the explosion of a steam pressure cooker sold by defendant (appellant here). The booklet sent with the cooker contained a diagram, showing the contraction of the cooker and directions for its use. Plaintiff undertook to cook some chili sauce in the cooker. A part of the mixture was tomatoes from which the seeds had not been removed. Plaintiff testified

that she followed the directions contained in the booklet and after the mixture had cooked long enough unscrewed the petcock. While she was in the act of unscrewing the last or seventh wing nut, the lid of the cooker suddenly lifted up. There was an explosion and the scalding mixture was thrown on her. Plaintiff claimed that the tomato seeds had clogged the openings and interfered with the operation of the petcock and steam gauge. Defendant asserted that, in accordance with well known laws of physics, the tomato seeds could not have reached the openings during the process of cooking under steam pressure; and that the seeds found in the openings were thrown there by the explosion, which, it could be demonstrated scientifically, must have been due to plaintiff's own negligence. Held that whatever may be said about the laws of nature and the movement of the tomato seeds, one of the charges in the complaint is that defendant represented that the cooker was a simple household utensil and failed to give any adequate warning of the serious consequences which would follow a failure to comply with the directions for its use. This question presented a jury issue and there was some evidence tending to sustain plaintiff's averments. Judgment affirmed. *National Pressure Cooker Co. v. Stroeter*. U. S. C. C. A. 7th Cir. (Wisc.). Decided June 13, 1931.

FOODS. IMPLIED WARRANTIES. PERSONAL INJURIES. BURDEN OF PROOF. (N. J.).

The plaintiff, A. Feduniewicz, bought a cream coffee cake from defendant who operated a small retail bakery business. After finishing the breakfast meal at which the cake was eaten, plaintiff and the members of his family became ill. He charged that the cake was poisoned and sued for damages accruing from the injuries to him personally. Defendant made the coffee cake in his own bakery. A deputy health officer testified that on a complaint following the incident he made an investigation of defendant's premises and found thereon a bellows containing sodium fluoride; this powder was a roach poison and that two months or more before plaintiff's mishap defendant had sprayed some of it in the "steam box" or warming oven as a remedy against roaches. A medical witness, as an expert, in answer to hypothetical questions testified that the symptoms experienced by the plaintiff could have come either from sodium fluoride poisoning or from a thousand other causes. The breakfast meal had embraced coffee and milk. There is no evidence of the purity of the milk other than the general statement, that all milk dealers are subject to oversight by the municipal authorities. Unused portions of the cake, on analysis by the city chemist, were found to be free of sodium fluoride. It is not shown that the cake was at any time in the "steam box". A half dozen other families who had purchased cake from the same batch of cooking were represented by witnesses who testified that there had been no illness therefrom. Held that there was not enough in the evidence to take the case to the jury, and that the trial court erred in refusing to grant a nonsuit. Judgment for plaintiff reversed. *Feduniewicz v. Gropp*. N. J. Supreme Ct. Decided May 25, 1931.

FIXTURES. CONDITIONAL SALE INTENTION. REAL ESTATE MORTGAGE. FORECLOSURE. (N. J.).

The petitioner in this proceeding, prays that the receiver in foreclosure of certain premises be directed to either pay for certain compressors and coils or deliver them to the petitioner. The compressors and coils are part of a refrigerating system in which compression is effected in the basement of the apartment and refrigerating gases pass by a pipe system to the individual coils in the various refrigerator boxes in the different apartments. The compressors can easily be detached from connections with the piping and readily remove from their position on their bases in the basement, and the coils can likewise be easily unscrewed from the other end of the piping and removed, both with-

out any defacement to the building. Under a conditional sales agreement, if the chattels in dispute are not attached to the realty, held that they can be removed if no damage is caused the realty thereby. Further, when the retention of title under a conditional sales agreement by vendor of chattels to be attached to real estate, expresses the intention that such chattels shall not become part of the realty, they do not become part. Moreover, a foreclosure of a mortgage on realty does not affect title to personal property. The relief prayed for granted. *Workingmen's Bldg. & Loan Assn. of Newark v. Smith et al.* N. J. Ct. of Chancery. Decided May 27, 1931.

DECLARATION OF DIVIDENDS. INSOLVENCY. STOCKHOLDERS' AND DIRECTORS' LIABILITY. RECOVERY BY TRUSTEE IN BANKRUPTCY. (N. D.).

This action was brought by the plaintiff Ulness, trustee in bankruptcy of the Magic Grain Dump Company, a domestic corporation, against the directors and stockholders of said corporation, to recover from them certain dividends alleged to have been paid out of the capital stock of the corporation. The corporation was organized for the purpose of manufacturing and installing grain dumps, known as "Magic Grain Dumps", in grain elevators. The manufacture and distribution of such "grain dumps" was covered by patents. Practically the sole assets of the corporation consisted of these patents. The said company sold its Canadian patents and received therefor \$16,243.18 in cash. It is alleged that the amount so received represented and constituted capital assets of said corporation and did not constitute profits or earnings; that the defendants, acting as the Board of Directors of said corporation, under the guise of declaring a twenty-eight per cent. dividend on the capital stock of said corporation, distributed to the stockholders out of the moneys received from the sale of the Canadian patents the sum of \$13,924.00. The total assets of the corporation after such distribution do not exceed \$500.00 and that the corporation is wholly unable to pay its indebtedness. It is further alleged that the purported declaration and distribution of dividends was unlawful and in violation of the duties of the directors, and was merely a scheme to cheat and defraud the corporation and its creditors. Held that a dividend can be legally declared and paid out of the surplus profits only (section 4543, C. L. 1913); and when dividends are paid out of the capital stock of a corporation which is rendered insolvent by such payment, a liability arises on the part of a stockholder who receives such dividend to return it. Further, the trustee in bankruptcy of the corporation may maintain an action to enforce such liability against stockholders. Moreover, the trustee in bankruptcy of a corporation may maintain an action to enforce the statutory liability against directors for declaring and causing dividends to be paid out of capital stock. (Sections 4543, 4544, C. L. 1913). Order overruling defendant's demurrer to plaintiff's complaint affirmed. *Ulness v. Dunnell et al.* N. D. Supreme Ct. Decided June 15, 1931.

PREFERENTIAL TRANSFER. SOLVENCY. SUFFICIENCY OF PROOF. (N. Y.).

The petition in a bankruptcy herein filed by one creditor alleges a preferential transfer by the bankrupt, while he was insolvent, of certain drydock machinery with intent to prefer the transferee, and that the creditors of the alleged bankrupt are less than twelve in number. A receiver was appointed. An answer was filed denying insolvency. Held that the bankrupt having taken issue upon the allegation of insolvency, it became his duty to appear in court on the hearing, with his books, papers and accounts, and to submit to an examination and give testimony as to all matters tending to establish solvency or insolvency. The alleged bankrupt attended at the trial, but he professed that he did not know anything concerning his books and records, and claimed to be

laboring under such physical and mental stress that he could not make any clear statement of his assets and liabilities. However, from his testimony, it is impossible to believe that he does not know anything about his books and records, but, on the contrary, it is thought that he could speedily produce them if he became convinced that it was to his interest so to do. It was clearly established that the drydock and the machinery were transferred in disregard of the provisions of the Bankruptcy Act. In the belief that the bankrupt has not demonstrated his solvency, an adjudication will be ordered. *Matter of Olsen*. U. S. Dist. Ct. E. Dist. of N. Y. Decided May 29, 1931.

WASHINGTON NOTES

Total Annual Wholesale Sales

Annual sales in the United States through all wholesale types of establishments amount to approximately \$70,000,000,000, distributed through 169,888 establishments, according to a national summary just published by the Census Bureau as a result of the Census of Wholesale Distribution. As a result of this census, we now know, for the first time, the volume of wholesale and retail sales and the number and type of establishments through which these sales are made.

Wholesale sales exceed the volume of retail business by nearly \$20,000,000,000, the difference being accounted for by the fact that the volume of wholesale business includes exports made by wholesale establishments, sales to industrial consumers, and involves duplication in handling at various stages of the movement of goods from producers to retailers and to industrial consumers. The retail business, on the other hand, includes sales made to ultimate consumers only.

The volume of business shown in this total includes sales made by wholesalers to consumers at retail, but it does not include the volume of wholesale business done by retailers. Neither does this total include the more than \$11,000,000,000 of sales made by manufacturers direct from their plants to retailers, or the more than \$16,000,000,000 of sales made from manufacturing plants direct to industrial consumers.

Though there are many types of establishments handling goods at wholesale, the census reveals that more than half of the wholesale total of \$69,628,448,061 is accounted for by the sales of regular wholesale merchants, that is, those performing all of the usual functions of a wholesale house, purchasing and warehousing goods for resale to the retailer. In addition to wholesale merchants of the usual type, the 169,880 wholesale establishments include brokers, manufacturers' sales branches, bulk tank stations, selling agents, exports, country buyers of farm products, and new types of wholesalers such as cash-and-carry houses, drop shippers, wagon distributors, etc.

Wholesale business of the country is revealed, upon comparison to be about 6 times the size of the gross from farm production and about equal to the gross value of manufactured products during the same year, 1929. Nearly two-thirds of the wholesale business of the country is accounted for by sales in the eight states of New York, Illinois, Pennsylvania, California, Missouri, Ohio, Massachusetts and Texas, listed in the order of their importance in sales volume. The eight states account for 65.78 per cent. of sales at wholesale but they contain only 45.5 per cent. of the country's population. The volume of wholesale trade per 1,000 inhabitants for the United States was found to be \$567,122, ranging from \$1,403,382 in New York, to \$126,588 in New Mexico.

The figures presented in this report are based on a field canvass during 1930 of every city, town and rural area in the United States and show the business for the year 1929. This item is reprinted from Domestic Commerce, publication of the Bureau of Foreign and Domestic Commerce.

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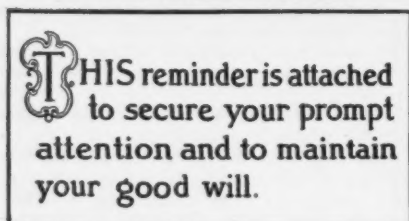
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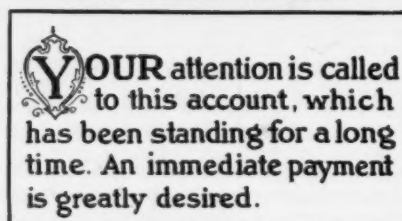
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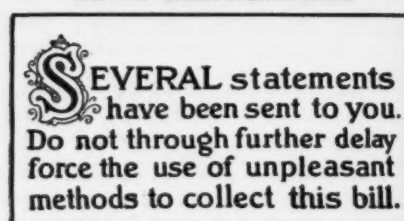
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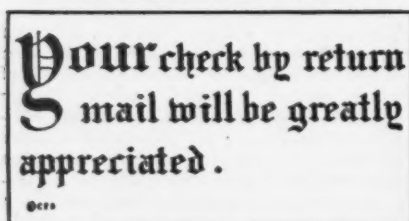
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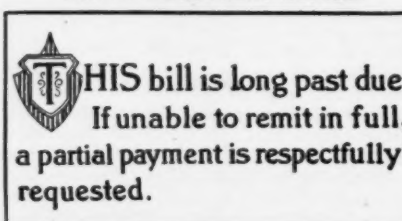
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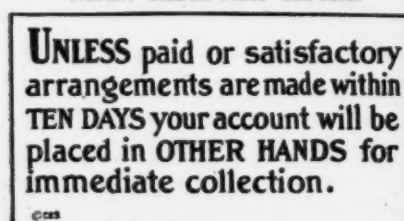
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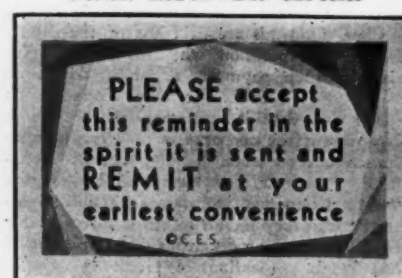
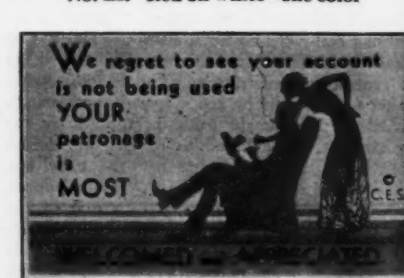
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